



Daily Report

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Daily Report

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11 October 1990

NOTICE TO READERS: An * indicates material not previously disseminated in electronic form.

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General

'Roundup' Views Bush, Shevardnadze UN Speeches

OW1110121990 Beijing XINHUA in English
0730 GMT 11 Oct 90

[Roundup by (Qian Wenrong): "Call for Peaceful Solution to Gulf Crisis Dominates U.N. General Assembly Debate"—XINHUA headline]

[Text] United Nations, October 10 (XINHUA)—The on-going U.N. General Assembly session ended its two-and-half week general debate this afternoon, which was prevailed by a general call for a peaceful solution to the Gulf crisis.

In the entire course of the debate, almost everyone of the 155 speakers, except the Iraqi representative, condemned the Iraqi invasion and annexation of Kuwait as a gross violation of the international law and a grave threat to world peace and called for the immediate, unconditional and total withdrawal of the Iraqi troops from Kuwait, restoration of Kuwait's sovereignty and territorial integrity. The Iraqi authorities were also urged to release all foreign hostages and let all foreign nationals to leave Kuwait and Iraq safely.

The overwhelming majority of countries expressed their support for the Security Council resolutions concerning the Gulf crisis and advocated a diplomatic and peaceful settlement of the problem, but the concrete proposals are varied.

Most Arab countries called for a solution within the Arab framework, while a great number of countries urged the United Nations to play greater role. A small number of countries proposed for a mediation through Gulf countries.

On the first day of the debate, French President Francois Mitterrand put forward a four-point settlement which includes the withdrawal of the Iraqi troops from Kuwait, the release of all foreign hostages, an international conference to solve the Palestinian issue and other disputes in the Middle East, and mutual reduction of armaments and cooperation in the region. This formula, which has received great attention among delegates, has linked to certain extent the Gulf crisis with the Palestinian problem.

Shaykh Jabir al-Ahmad al-Sabah, amir of Kuwait, was greeted by sustained applause from the assembly when he was delivering speech. Soviet Foreign Minister Eduard Shevardnadze warned in his statement that "the United Nations has the power to suppress acts of aggression," implying the possibility of using military action by the United Nations. His remarks which have caused big repercussion at U.N., is in sharp contrast with U.S. President George Bush's speech which was not as strong as expected.

While condemning Iraq, Bush also emphasized that "all of us here at the United Nations" hoped military forces

would not be used. This has once again demonstrated that the call for a peaceful solution to the Gulf crisis is an irresistible trend.

Delegates of many countries pointed out that the Gulf crisis proved that world peace remained rather precarious. Mexican President Carlos Salinas said the East-West detente did not guarantee the end of regional conflict, nor did it encourage the development in developing countries.

They believed that the Middle East as a whole continued to be the most explosive region, with the Palestinian issue as the core of the Middle East problem. They said the Gulf crisis increased their concern over the interrelated problems of Palestine and Lebanon.

Some Arab countries accused the United States of double standards in dealing with the Gulf crisis and the Israeli aggression and suppression against the Palestinian people. The international community, therefore, should pay full attention to the Middle East problem, instead of just focusing on the Gulf crisis, they stressed.

UN Envoy Suggests New World Economic System

OW1110064290 Beijing XINHUA in English
0039 GMT 11 Oct 90

[Text] United Nations, October 10 (XINHUA)—China today suggested a "new and just international economic system" during the general debate of the Second Committee of the 45th Session of the UN General Assembly.

Ambassador Jin Yongjian, China's deputy permanent representative to the UN, said in his statement that the aim of the new system is to "fundamentally" alter the weak and passive position of the developing countries, reactivate their growth and development, and reduce the North-South gap for the benefit of world peace and development.

He said such a system should incorporate the following essential points:

Development issues should always be placed on top of the international economic agenda with the purpose of strengthening international economic cooperation, accelerating the development of the Third World and promoting a balanced, stable, and sustained development of the world economy.

The international financial, monetary, and trade systems should be reformed with a view to seeking a durable, comprehensive, and fair solution to the debt problem, eliminating trade protectionism, stabilizing primary commodity prices, and increasing financial flows to developing countries.

Efforts should be made to ensure broad participation of the developing countries in the development of the world economy and its decisionmaking process. International coordination of economic policies should take into full consideration the interests of the developing countries.

Regional or bilateral arrangements among developed countries should benefit rather than prejudice the interest of multilateral economic activities and the interest of other parties. Regional economic cooperation among developing countries should be given full support.

The role of the United Nations should be strengthened in international economic cooperation and the decision-making process regarding international economic problems.

In the course of international economic cooperation, the sovereign rights of each country to decide its own economic and social systems, development models, and economic policies must be fully respected.

On the question of debt, Jin said it is the joint responsibility of debtor and creditor countries, commercial banks as well as the international financial institutions to search for a fair, lasting and comprehensive solution to the debt problems.

Recently, some developing countries have suggested that since the Gulf crisis has increased their difficulties, their debts should be subjected to further reduction or forgiveness.

"This position, in our view, is understandable and should be given positive consideration," Jin said.

On the question of commodities and trade, China maintains that the international community should take steps to stabilize primary commodity prices and that developed countries should honour their commitment to a standstill and roll-back of protectionism.

International Cooperation on Projects Urged

OW1010032390 Beijing XINHUA in English
0233 GMT 10 Oct 90

[Text] Paris, October 9 (XINHUA)—A senior Chinese official said here today that the successful investigation of the "Silk Road," which ended mid-August, is the result of cooperation among UNESCO, the international community, and China.

Teng Teng, vice chairman of China's State Education Commission and member of the Executive Bureau of UNESCO, told the bureau's 135th meeting that China is willing to cooperate with UNESCO and the international community in following silk-road investigation and other projects.

He said that during the investigation, China attached great importance to the international community project and did its utmost for its success.

The comprehensive investigation of the "Silk Road" was one of the three world projects of the 'One Decade of World Cultural Development' of UNESCO.

Third World Nations Develop Action Program

HK1010021990 Beijing RENMIN RIBAO in Chinese
2 Oct 90 p 4

[Article by Chen Qida (7115 0796 6671): "The Third World's Program of Action"]

[Text] After three and a half years of efforts, the Southern Commission, with Nyerere as its chairman, presented in August of this year a 325-page report entitled "A Challenge to the South." This report has been sent to different state leaders and the relevant organizations. Divided into six chapters, the report is composed of three major issues: The development of the South, South-South cooperation, and South-North relations. Each issue comprises an analysis of the situation and policy proposals. Free from the influence of the North, the analysis of the situation is based on the stand and views of the South. At the ceremony to announce the report, Malaysian Prime Minister Mahathir, one of the initiators of South-South cooperation, said that it is the "first report possessed by the South, written by the South, and that serves the South." Apart from summing up the lessons and experiences of Southern countries, the policy proposals in the report also take account of the different conditions in different regions. It can be expected that the report will be accepted by Southern countries in general and will become their powerful ideological weapon and action program in the future.

The first three chapters of the report are devoted to the study of Southern economic development. While pointing out that the achievements of Southern countries in economic and social development since their independence "should not be underestimated," the report focuses its analysis on the existing problems of the South. The report points out: In many Southern countries, "economic increases can hardly offset their structural imbalance," nor have these increases "strengthened the unity, stability, and coherent forces of the countries"; "many self-supporting countries have turned into grain importing countries as a result of neglecting the agricultural economy"; in many Southern countries, "modernization only means imitating the views, consumption style, and social relations of the West."

To correct these shortcomings, the report proposes a new concept of "development through self-reliance centering on the people," the meaning contained being this: "Development should not be judged by GNP growth alone. Development should also be judged by how it is attained, by the cost inflicted on the society and environment, by who puts it into effect, and by whom it serves." To attain this development, the report sets 10 principles, the most prominent of which are providing protection for grain supply, health, education, and employment; maintaining an acceptable growth rate; not imitating the Western life style; introducing a mixed economy; democratizing the political structure; developing science and technology; and protecting the environment. The unique explanations provided by the report on the question of development are worthy of

attention. For example, on economic privatization in many Southern countries, the report points out that "privatization cannot provide an overall solution." This analysis provides useful reference for countries carrying out economic adjustments and reforms.

Chapter Four of the report deals with South-South cooperation. It points out that the conditions for South-South cooperation are more favorable than before; therefore economic diversification in many developing countries "has enabled them to supplement each other." The situation demands common management from Southern countries over their natural resources and environments, as well as science and technology. Unfavorable prospects for South-North relations and the conglomeration of Northern countries have caused Southern countries to muster their collective forces. To utilize these favorable conditions, the report raises a complete proposal on South-South cooperation and sums up an 11-point "priority action program." The main points are as follows: State development plans and policies should be inclusive of their responsibilities for South-South cooperation; all countries should set up the National Council for South-South Cooperation; Southern banks and a tribunal for debtor nations should be established; guarantees should be provided for Southern countries so that most of their products will enjoy "global trade preferential treatment" before the year 2000; and the association of primary commodity producing countries should be strengthened. The report also proposes establishing the Southern secretariat, which will serve as a precondition for South-South cooperation. Because these proposals are practical and specific, people believe they will help promote the development of South-South cooperation.

Instead of simply attributing the cause of gloomy prospects for South-North relations to the passive attitude of the North toward South-North dialogue, the report analyzes the various unfavorable conditions leading to such prospects. To change this unfavorable situation, the report proposes a six-point "global emergency action plan," which, among other things, includes preventing the adverse flow of capital from the South to the North, reducing the debt burden on the South, increasing preferential capital transfer to the South, removing protectionism, and stabilizing the prices of primary products. The report proposes South-North cooperation on many specific issues, such as protecting the environment and curbing drug trafficking. This has denied some Western people's assertion that the report "takes the West as a hostile force and makes this a precondition" for it.

Hopefully this report will serve as a strong impetus for the South. As long as Southern countries can unite as one and draw up corresponding strategies and measures in accordance with the proposals of the report, it is certain that they will confidently tackle the "challenge to the South" and continuously make new successes.

China Marks International Disaster Reduction Day *OW1010221990 Beijing XINHUA in English* 1445 GMT 10 Oct 90

[Text] Harbin, Oct 10 (XINHUA)—China's Calamity-Prevention Association presented a public lecture on natural disaster reduction here today, marking the first U.N. International Day for Natural Disaster Reduction.

China is a country frequently hit by natural disasters. In 1989, natural disasters in China caused direct losses totaling 5.25 billion yuan (about 1.1 billion U.S. dollars), said Professor Xie Lili, a U.N. expert on natural disaster reduction.

In 1987 the United Nations decided to establish an "international decade for natural disaster reduction" campaign to begin in 1990. The U.N. proclaimed the second Wednesday in October of each year, from 1990 to 2000, to be "international natural disaster reduction day."

Disaster Relief Discussed

OW1010221890 Beijing XINHUA in English
1313 GMT 10 Oct 90

[Text] Beijing, October 10 (XINHUA)—A seminar, marking the first International Day for Natural Disaster Reduction, was held today in Beijing to discuss international cooperation to help China relieve natural disasters more effectively.

Over a dozen Chinese Government officials and representatives from the United Nations Development Program, the U.N. Children's Funds and other international organizations attended the meeting.

The participants voiced their opinions and offered suggestions on a number of issues, including: disaster information, emergency loans for disasters, international cooperation projects, and training officials for disaster relief.

Zhang Dejiang, Chinese vice-minister of civil affairs, said that China is willing to cooperate with the United Nations, international organizations, and friendly countries in making contributions to international disaster reduction.

Zhang briefed the participants on China's efforts for disaster reduction and thanked the countries and international organizations which have helped China in this regard.

Since 1980, China has received more than 100 million U.S. dollars in foreign aid from more than 50 countries, regions and international organizations. Another five disaster relief projects are reported to be under negotiation.

Jan Mattsson, deputy resident representative of the U.N. Development Program, said that China, because of its geographic location has suffered many natural disasters.

"However, by international standards China is very advanced in disaster reduction," Mattsson added.

Academy of Sciences Expands International Ties

OW0510123690 Beijing XINHUA in English
0927 GMT 5 Oct 90

[Text] Beijing, October 5 (XINHUA)—The Chinese Academy of Sciences (CAS) has recently resumed ties, which were suspended in June of 1989, with the American National Academy of Sciences and the American National Scientific Foundation.

According to an official from CAS here today, since the beginning of this year, the academy has pursued a number of initiatives to strengthen scientific cooperation with its foreign counterparts.

CAS is now collaborating with the U.S. Energy Department in the research of carbon dioxide, and is negotiating with the American National Academy of Sciences for a joint research project on global change. In addition, the 11th Sino-American high energy physics conference will be held in Beijing this fall.

In another development, the French National Scientific Research Center has presented, as a gift, a 10-megawatt highly stable direct current mains device valued at 5 million U.S. dollars to the academy's Hefei Institute of Plasma Physics.

In an agreement signed in May between CAS and the Soviet Academy of Sciences, scientists from the two countries will carry out extensive joint research in eight areas—including ecology and micro-electronics. This past August Chinese and Soviet researchers successfully conducted a joint atmospheric experiment by placing a huge balloon in flight.

Statistics show that so far this year CAS has held nine international conferences attended by more than 450 overseas participants. Through September, CAS has sent over 2,300 scholars and students abroad, while hosting over 1,500 overseas scientists.

This year, many CAS scientists have been appointed to senior administrative posts in international organizations such as the United Nations Educational, Scientific and Cultural Organization, and the U.N. Food and Agricultural Organization.

A number of Chinese researchers have also been recognized by international and foreign organizations for outstanding achievements. For example, Professor Yang Xiongli, a neurologist from the CAS Shanghai Physiology Institute received support from the American National Institute of Health. Such recognition indicates that Chinese scientists are highly competitive in the area of neurology research.

Additionally, the laser energy meters developed by the CAS physics institute have been granted patent rights by

the U.S. Patent Office, and are now being exported to the United States, Japan and Germany.

International Forum on Peasant's Movement Held

OW0810081790 Beijing XINHUA in English
0652 GMT 8 Oct 90

[Text] Jinan, October 8 (XINHUA)—Historians and other scholars from Australia, China, Germany, Hungary, Japan, Poland, South Korea and the United States gathered today for the opening of an International Symposium on the Yihetuan Movement and Modern China. The Yihetuan Movement was an armed struggle against imperialism waged by Chinese peasants in 1900.

Symposium organizers noted that the Soviet Union, the United States, Britain and Japan have made remarkable achievements since the 1970s in study of the Yihetuan Movement.

The symposium is sponsored by the Society of Chinese History, the China Society for the Study of the Yihetuan Movement, the Shandong Provincial Federation of Social Sciences and Shandong University. It will close on October 11.

Article Analyzes Global Military Threat

HK0810090190 Beijing JIEFANGJUN BAO in Chinese
21 Sep 90 p 3

[Article by Niu Tianjin (3662 1131 3160) and Zhang Shijiang (1728 0013 3068): "Rambling Talk on Military Threat"]

[Text] Generally, military threat refers to the means to achieve a particular purpose by "resorting to armed pressure and threats to subdue another country."

Various countries differ in their explanations of the implications of military threat. As the United States sees it, military threat "refers to a realistic or potential enemy, and its capability, intention, and actions of impeding, or intervening, in the United States to accomplish its national interests or goals"; the Japanese Government stated, military threat "refers to the harm done to a nation's security or interests, and impeding another country in implementing its basic policy." The Chinese military's academic circles believe the so-called military threat "refers to the negative effects, danger, and harm done to national interests, including a nation's sovereignty, survival, security, and development by another nation in international relations." In short, military threat is actually the military factor that results in one country's security and interests being endangered and harmed by another country.

The factors are manifold in judging whether or not a country has posed a military threat to another. We believe there are two major and basic factors to determining whether or not a country has posed a military threat to another, namely: First, the two sides involved

must have fundamental contradictions or interest conflicts, such as opposing social systems and ideologies as well as disputes in economic interests, territorial and ocean rights and interests, which are the prerequisites for the rise of a threat. Under such circumstances, the armament and military deployment of the conflicting sides will inevitably demonstrate a marked coloring of aiming at each opponent, shape into mutual threat on a reciprocal basis, or one side's suppressive threat on the other. And second, either, or one side, must be backed by powerful military strength, which is the condition for posing a threat. Without a powerful military force, a situation that endangers the other country is out of the question, nor will the other country feel the threat.

In today's world, there have been naked military threats to intimidate as well as rather concealed and limited threats to another country. There have been military threats involving balanced military strength on a reciprocal basis as well as marked suppressive threats by which the strong bullies the weak.

Restricted by internal and external restrictions, military threats exist in various degrees. Usually, there are threats of high or low intensity, threats of low intensity and potentiality; their expressions are more often than not similar, but the links between the two forms are not inevitable. Generally speaking, when one country forms a threat of high intensity to another, such a threat is usually realistic; however, not all realistic threats are of high intensity; potential threats are generally of low intensity, but not all threats of low intensity are potential; often they are realistic ones, only, their expression is comparatively moderate.

Where there is military threat, there will always be military counterthreat. For example, for a considerably long time in the past, the USSR utilized its advantages in the size of its conventional forces to threaten the North Atlantic Treaty Organization [NATO] countries, while the U.S. took an active part in improving its conventional defense by relying on science and technology and doing its best to counter the Warsaw Treaty Organization's [WTO] size advantages. The U.S. implemented its "high frontier" strategy to threaten the USSR, while the latter threatened the United States with its "global strategy." For another example, under U.S. and Soviet military threat, France selected its peculiar counterthreat strategy of "checking the strong by the weak"; India attempted to take the road of a maritime power to maintain a certain capability for contention; while Japan proposed the strategy of a "comprehensive security guarantee," advocating confrontation with comprehensive economic, science and technological, political, and military forces. Today, whenever a country senses a military threat from another, it will promptly and rapidly readjust its military strategy to safeguard its own security and interests in a counterthreat form. Such a tit-for-tat military pattern characterized by mutual threat is more often than not an important factor in putting off war and accounts for the relative "peace" in our world today.

History shows there were different reactions, actions, and consequences when a country faced another's military threat. Although military and war threats have essential differences, there is no impassable chasm between them. Should a country be terrified and become helpless facing another's military threat, or fail to have an insight into the threat, while remaining indifferent, it would become passive and even lose its sovereignty and suffer humiliation. Facing Hitler's military and war threats in the early stage of World War II, Austria and Czechoslovakia lost their faith and fighting will; consequently the German Army annexed the two countries at no cost at all. The USSR, which was a large country and boasted a powerful Army, relaxed its vigilance because of its illusion toward fascist Germany; as a result, it became greatly passive in the war's early stage. Therefore, we can see that military threat is not terrifying, but what is terrible is being scared out of one's wits, or losing vigilance. Should a nation firm up its faith, and take an active part in implementing counterthreats, it would head off a disaster.

Today, a counterthreat's form has changed from merely developing military strength to attaching importance to a nation's comprehensive military, science and technological, and economic development to shape into an integral capability for countering threat. This has educated us to the fact that under an international situation characterized by greater turbulence, in face of realistic and potential military threats, it is imperative for us to augment comprehensive army building to improve our combat effectiveness in a down-to-earth way. On the basis of developing the economy in a big way, the state should increase national defense investment; improve the army's equipment, especially give priority to the renovation of the navy and air force's equipment in order to augment the army's counterthreat capability. Second, military threat is inseparable from the competition and development in science and technology. In recent years, a common path of various countries' armies has been the vying for mastery of new science and technology with a strong sense of pressure to advance the development of defense science and technology to improve the capability for military threat. China is making fast progress in science and technology, and it has joined the world's advanced rank in many defense science and technology arenas. As a whole, however, China's high technology development, especially the application of sophisticated science and technology to the military arena, still lags behind the world level. Therefore, to develop China's strength in countering military threats, the basic point is to step up the pace in coupling basic science and technology with high technology, do a good job in the joint development of science and technology for civil use and defense science and technology, while applying them to the military arena as best we can to accelerate improving the army's technology and equipment so that defense science and technology may become an important force in countering military threats.

To improve military strength, it is imperative to rely on the development of the economy and science and technology; while they must, in turn, take an active part in providing conditions for improving military strength. The state should take unified planning for all concerned, and scientifically and rationally arrange for the three aspects so that they may develop harmoniously with mutual support; by no means should any of the three be overstressed or neglected.

Olympic Official Views Beijing's Olympic Chances

*OW1110013390 Beijing XINHUA in English
0814 GMT 10 Oct 90*

[Text] Colombo, October 10 (XINHUA)—President of the International Olympic Committee [IOC] Juan Antonio Samaranch was quoted today by local press as saying that the success of the 11th Asian Games will influence China's chances of winning in its bid to host the Olympic Games in 2000.

In a report from Beijing, local paper THE DAILY NEWS quoted the IOC president as saying that the IOC will wait until after the 1992 Olympic Games before making a comprehensive appraisal of Beijing's ability to host the Olympics despite the excellent opening ceremony in Beijing for which he would give 10 points out of 10.

To host the Olympics, the IOC president said that China needs to build more venues and a large games village. A stadium seating 80,000 would be the right size for an Olympic opening ceremony, he said.

Chinese Students Win World Architectural Prize

*OW0910155590 Beijing XINHUA in English
1444 GMT 9 Oct 90*

[Text] Xian, October 9 (XINHUA)—Nine Chinese college students shared top prize in the 14th International Architectural Design Contest for college students at an awards ceremony held here on Monday.

The International Union of Architects organizes the contest which is held every three years.

This year's winners are students in the Department of Architecture at the Xian Institute of Metallurgical Construction. Twenty-four other students from the institute have also won prizes in earlier contests sponsored by the international union.

UNESCO representative H.L. Teller, who presented the prize, said that the students' design of a residential house combined the unique style of traditional Chinese buildings with modern installations and indoor decoration.

Foreign Businessmen Attend Shanghai Travel Fair

*OW0710090890 Beijing XINHUA in English
0825 GMT 7 Oct 90*

[Text] Shanghai, October 7 (XINHUA)—About 4,000 Chinese and foreign tourism businessmen, officials and

noted persons from tourist circles today swarmed into the Shanghai Exhibition Center for the opening of China Travel Fair '90.

Among them, some 1,000 businessmen and officials came from 604 travel agencies and travel-related companies of 35 countries and regions, including the United States, Japan, France, Hong Kong and Taiwan.

At the opening ceremony here today, Liu Yi, president of the China National Tourism Administration (NTA), said China's tourism industry has made much headway in the past decade during which about 180 million overseas tourists toured China.

China's tourism has recovered satisfactorily this year. From January to August, he said, overseas tourist arrivals amounted to 18.11 million, up 8 percent over last year's same period.

Antonio Savignac, secretary general of World Tourism Organization (WTO), said in his speech at the opening ceremony that, though China's tourist potential has just started, the wealth and variety of tourist attractions, natural or man-made, complemented with rich folklore, food, handicrafts, music and so forth, as well as a human warmth that make hospitality and welcome a normal attitude, are just some of the many ingredients that will make China one of the world's top tourist destinations.

The fair a big activity conducted by domestic tourist circles, is aimed to promote their sales and help the full revitalization and development of China's tourism.

Travel departments from 30 provinces, municipalities and autonomous regions, 13 major national tour operators, 7 domestic airlines, 11 international hotel management groups including Sheraton and Holiday Inn, and some travel enterprises from Hong Kong and Macao set up booths at the fair.

Taking China's tourism as a whole, together with the tourist resources and characteristics of all provinces, municipalities and autonomous regions, the fair will provide a variety of new and favorable tour programs and itineraries with Chinese flavor, such as the emperors' traces tour, waterside city tour, Huangshan mountain tour, Buddhism pilgrimage tour, deserts tour, the 2100th anniversary Silk Road tour, southwest local customs tour, ice and snow sightseeing tour and gardens tour, archaeological tours, handicrafts tour, fashion and cosmetics tour, and honeymoon tour.

Shanghai Stamp Company will publish the first day cover and cachet for the commemoration of the opening of the fair.

Sponsored by the NTA and Shanghai Municipal People's Government, the trade fair will last four days.

Shanghai To Host International Financial Symposium

OW1010221790 Beijing XINHUA in English
1454 GMT 10 Oct 90

[Text] Shanghai, Oct 10 (XINHUA)—An international financial symposium is scheduled to be held in Shanghai, China's leading industrial city from October 14 to 17.

The International Businessmen's Advisory Council, held in March this year to advise the mayor of Shanghai, decided to sponsor the upcoming symposium. Maurice R. Greenberg, president of American International Group Inc., and chairman of the symposium, is responsible for organizing the event.

The participants will discuss the financial media, financial markets, financial market structure, and the adjustment systems for financial markets. In addition, they will suggest ways to aid in Shanghai's financial development.

World famous financiers, economic theorists and entrepreneurs from the United States, Japan, France, Britain, Italy and China will attend the symposium.

Belgian, Canadian Envoys Present Credentials

OW1110090390 Beijing XINHUA in English
0802 GMT 11 Oct 90

[Text] Beijing, October 11 (XINHUA)—New Belgian Ambassador Willy de Valck and new Canadian Ambassador Fred Bild presented their credentials to Chinese President Yang Shangkun in the Great Hall of the People here today.

The two envoys arrived in Beijing on Monday.

International Motorcycle Exhibition Planned

OW1010222090 Beijing XINHUA in English
1318 GMT 10 Oct 90

[Text] Beijing, Oct 10 (XINHUA)—The forthcoming Beijing International Motorcycle Technology Exhibition, October 17 to 21, will display China's latest achievements in motorcycle manufacturing.

Wang Lisan, deputy director of the China Automobile Industry Federation, said at a press briefing today that China is expected to turn out over one million motorbikes this year, with a total output value of three billion yuan.

The brisk manufacturing and marketing of China's motorcycles is shown by the fact that China-made motorcycles are now exported to 24 countries and regions and are expected to earn China 25 million U.S. dollars in foreign currency this year, Wang noted.

China's motorcycle manufacturing industry, which started in the mid-1950s, has achieved great progress in the past three decades and the 1980s in particular, which saw the introduction of advanced technology and equipment.

The annual output of 49,000 motorcycles in 1980 has climbed to the current level of over one million motorcycles in over 300 varieties, according to Wang.

Wang said that the exhibition is aimed at promoting international co-operation in motorcycle production and opening the world market further for China-made motorcycles.

Motorcycle companies from Japan, Italy, South Korea, Czech and Slovak Federal Republic, Hong Kong and Taiwan will attend the exhibition and display the latest technology and products.

United States & Canada

Article Views U.S. Latin American Policy

HK0910124790 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 40, 1 Oct 90 pp 26-27

[Article by Shen An (3088 1344): "The United States Makes Strategic Readjustment of Its Policy Toward Latin America"]

[Text] Concluded on 7 September, the 16th Latin American Economic System [LAES] ministerial meeting adopted a no-confidence motion regarding U.S. President Bush's "Proposal on Initiating American Enterprise." As a result, the new strategy as advocated by the United States met with a large rebuff as soon as it was presented.

President Bush's American proposal pronounced to the Latin American diplomatic corps on 27 June was a new economic policy on U.S.-Latin American relations in the wake of the new strategy of political security for Latin America as proposed in his 27 March report on "National Security Strategy." He comprehensively expounded U.S. policy toward Latin America in these two speeches. Politically, Bush stressed the pursuit in establishing a "new, mature partnership" with American countries. The debt, drug, and environmental issues are important topics involving U.S. national security, and the United States is ready to adopt an attitude of cooperating with Latin American countries to find solutions to those issues. He proposed, through consolidating pro-U.S. governments in Central America, to change Cuba's existing political system, to further promote the progress of democratization to build the Western Hemisphere into "one with complete democracy," to guarantee the "collective security" of American countries. Economically, Bush suggested, in his American proposal, to build "new economic partnership" with Latin American countries, "to begin a new journey in opening a free trade region in the Western Hemisphere." This proposal comprises three main points: Trade, investment, and debts. On trade, Bush made three points: 1) The United States promises to cooperate with other American countries in the Uruguay Round of the General Agreement of Tariffs and Trade [GATT] multilateral talks; 2) the United States is ready to reach a

comprehensive free trade agreement with other American countries; and 3) it will conduct talks with those countries that are not ready to reach a comprehensive free trade agreement so that bilateral agreement on opening market and augmenting trade relations may be reached. On the investment issue, President Bush proposed to the Latin American countries to change the conditions that impede internal and external investment, and to simplify the investment system; he proposed the establishment of a \$300 million fund to support Latin American countries' reform toward a market-oriented economy. It was reported that the United States is ready to provide \$100 million of the fund. On the debt issue, Bush proposed international monetary organs to support the cutback or exemption of Latin American countries debt repayment to commercial banks. The United States is ready to cut back or exempt some of their debts to the U.S. Government. Later, U.S. Treasury Secretary Brady stated, Latin American countries owe the U.S. Government \$12 billion, of which \$7 billion preferential loans are considered to be cut back or exempted.

Compared with past policies, we see two new points or changes in the aforesaid new Bush policies: 1) The focus has shifted from national security to the economy; and 2) the chief pillar has changed from aid and investment into trade. In short, the new U.S. strategy for Latin America is none other than: The political alliance with the United States playing the leading role based on, and sustained by U.S. aid (finding expression in the Organization of American States [OAS], the Alliance of Striving for Progress, and the Plan for Aid to the Caribbean), has converted into regional economic groups based on "free trade" partnership to guarantee U.S. long-term (or future) economic interests, under the prerequisite of maintaining national security. The kernel of this strategy or the major specific goal is to set up a free trade region in the Western Hemisphere. Actually, President Bush's original plan for visiting five major Latin American countries, including Argentina and Brazil, mainly served the purpose of pushing his American proposal.

Should this U.S. proposal be implemented, it would exert great effects on American countries' relations, their economic development, and even the world economic pattern. Therefore, international public opinion universally believes, this has been the most important, overall strategic readjustment in U.S. policy toward Latin America since the 1961 Kennedy plan for organizing the alliance of striving for progress.

President Bush has considered the following points in readjusting U.S. policy toward Latin America:

First. Presently, the focus of competition in international relations has shifted to the economic arena; the USSR has narrowed its front in Latin America, with its threat to U.S. security diminishing; and the junta governments in Latin America have collapsed one after another. The United States believes, Latin America (with the exception of Cuba), has basically realized democratization;

therefore, the focus of U.S. diplomacy in Latin America has possessed the objective conditions for converting from security to the economy.

Second, a new world economic pattern is in the shaping, the United States needs to take hold of the Latin American countries in its "backyard" to form a regional economic group, to contend with a reunified Germany and Japan, and to maintain the U.S.' future economic place and interests. According to the U.S. Government's conception, the future world economic pattern will be: A great European market headed by the reunified Germany; the Asia-Pacific Ring with Japan as the core; and the Western Hemisphere free trade region headed by the United States. To maintain the U.S.' future economic place, to prevent itself from being elbowed out by Germany and Japan from Europe and the Asia-Pacific region, and to have a firm position there, the U.S. Government has formulated a new global strategy, and the American Free Trade Region is precisely one of U.S. strategies. The current U.S. policies are: 1) To maintain its control of Europe, stressing that the United States is a European country, namely the neo-Atlantic doctrine; 2) to reaffirm that the United States is a Pacific country, namely, the so-called Pacific doctrine, to maintain U.S. interests and its place in the Asia-Pacific region; and 3) to establish an American Free Trade Region to shape into an economic group with the United States as the core. Should the latter be realized, a very powerful regional economic group whether in economic strength, natural resources, or population, would surface, enable the U.S. economy to "launch an attack, or to hold its ground in a retreat," and be victorious in its contention with Germany and Japan.

Third, the Latin American economy is in a type-changing stage, namely, converting from the original doctrines of development and the masses to free capitalism. Governments of many countries have explicitly pronounced the implementation of the complete free market-oriented economy. In foreign trade, Mexico and Brazil have almost removed their tariff wall, which had been set for many years in the past, with the implementation of free import and export in its stead. From the angle of the United States, such a type-changing is precisely a fine objective condition for realizing its plan for a "free trade region."

And fourth, U.S.-Latin American relations, especially their present trade conditions, have also called for the United States to take the initiative in presenting some new "regulations" to improve their relations. U.S. intervention in the Central American crisis, the U.S. debt policy, especially U.S. intrusion in Panama, have resulted in the worsening of U.S.-Latin American relations. At the same time, because the Latin American foreign debt crisis has lasted for almost eight years, which has a strong impact on U.S.-Latin American trade, while U.S. export to Latin America has dropped with each passing year. Therefore, some U.S. think tanks proposed changes in the antidrug and environmental policies and to offer help to Latin America to overcome

its economic and debt crisis, believing it would be an effective way to help the United States expand its exports to invigorate its economy. At the same time, it will utilize the investment fund as proposed by the United States to promote the conversion of Latin America to a free capitalist market-oriented economy, while further consolidating the bourgeois democratic system in Latin America and turning it into a stable "backyard" of the United States.

Therefore, we can see that Bush's proposal is a strategic step with deep thinking and careful planning. However, whether or not it will be successful will be restricted by many factors. First, this is a huge plan, and the United States' ability falls short of its wishes. This is a contradiction not to be easily overcome. To establish such a huge common market, it is primarily necessary to push the Latin American countries' economies out of the valley, to implement reform and type-conversion so that they may take the road of healthy development. Without a huge capital input (some experts' estimation shows that scores of billion of dollars are involved,) its realization is out of the question. Presently, the United States is suffering a decline in its national strength, and it is impossible for it to dish up \$20 billion like it did in 1961 to implement the plan for the alliance of striving for progress. The investment fund in Bush's proposal involves only \$300 million, but the United States will contribute only \$100 million, and the rest will have to be begged from Europe and Japan. Whether the United States can make it remains an unknown factor, a small sum as it is.

Second, the 30-some Latin American countries are extremely imbalanced in their development, with each having its own plan. That is one of the basic reasons to account for the slow progress of the Latin American unification movement. It is by no means easy to unify these countries into a common market.

And third, and the most important is that few countries, including Chile, have expressed their willingness to accept this proposal, while the majority of Latin American countries have been meticulous about it. Generally speaking, Latin American leaders share the view that the proposal is a welcome and bold conception, but its implementation is by no means easy. The Latin American governments and public opinion's major misgivings are:

1. From the angle of historical experiences, most important U.S. plans of aid to Latin America had a fine start but a poor finish, and pitiful effects, while Latin American countries did not enjoy great benefits. At the recent LAES ministerial meeting session, ministers of many countries pointed out that the U.S. Alliance of Striving for Progress Project in the 1960's, the Aiding the Caribbean Project, the Baker Project in the 1980's, and the Brady Project last year, have all ended in failure. 2. Economically, they worry that the United States will open the gate of Latin America under the pretext of "free trade" and turn Latin American countries into a market

for dumping U.S. goods, while building a new protectionist wall around Latin America, and Latin American countries will only suffer losses in the end. 3. They expressed doubt about U.S. political intentions. The press, and lots of experts, and personalities of the political circles believe that Bush's proposal is stained with a strong coloring of the Monroe Doctrine, namely, "America is the America of the U.S. people." Some people doubt that the United States is taking advantage of relaxation to restore its hegemonist role in the Latin American region. And, 4. They believe that it is only U.S. propaganda, with the aim to appease Latin American countries. The Dominican Republic has pronounced nonparticipation in the free trade region project, Cuba and some other Caribbean countries have expressed opposition, with a no-confidence vote on the American proposal as mentioned earlier in this article.

However, leaders of many Latin American countries believed that the proposal in question should be earnestly dealt with. Brazilian President Collor de Mello proposed a Latin American summit to negotiate a policy on this issue. Latin America should take advantage of this opportunity to augment the progress of unification and conduct talks as an entity with the United States.

It is generally believed that it will be rather difficult to realize Bush's proposal of the American Free Trade Region before the year 2000. However, some partial, similar project might be implemented step by step, for example, the North American Free Trade Region Project in formulation comprising Mexico, the United States and Canada is likely to be founded in the mid-1990's, while the United States is likely to establish bilateral or multilateral free trade relations with some Latin American countries.

Tian Jiyun Meets U.S. Goodwill Delegation

OW1010121490 Beijing XINHUA in English
1054 GMT 10 Oct 90

[Text] Beijing, October 10 (XINHUA)—Chinese Vice-Premier Tian Jiyun met here today a goodwill delegation from the United States, headed by William Bartlett, Jr., speaker of the Senate of New Hampshire.

Chinese Students in New York Mark National Day

OW1010193590 Beijing Domestic Service
in Mandarin 1700 GMT 8 Oct 90

[From the "International News and Current Events" program]

[Text] The Chinese Consulate-General in New York City held a gala on the evening of 7 October for Chinese students in New York to mark China's 41st National Day and the successful closing of the 11th Asian Games.

Attending the gala were some 400 Chinese students studying at over 30 colleges in New York City. The students cheerfully mingled with one another, and the atmosphere at the gala was very warm. After the gala

began, Consul-General Wong Fupei briefed the students on the situation in China, which is marked by stability and unity, and on a series of new diplomatic victories China has won recently. Then, (Lin Feng), chairman of the Association of Chinese Students and Scholars in New York City, read a congratulatory message from the Association to the Organizing Committee of the 11th Asian Games. The message says: Like the people of the whole country, the masses of Chinese students studying abroad are greatly inspired by the Asian Games spirit created by the 11th Asian Games in Beijing. We, like the people of the whole country, are shouldering the historical responsibility of rejuvenating the Chinese nation. We will work hard to place the motherland's scientific and technological development in a leading position in the world.

Soviet Union

Zheng Tuobin, Trade Delegation Depart USSR

OW0710030190 Beijing XINHUA in English
0110 GMT 7 Oct 90

[Text] Moscow, October 6 (XINHUA)—A Chinese trade delegation led by Minister of Foreign Economic Relations and Trade Zheng Tuobin left here for home today after ending its five-day trip to Moscow.

In a meeting on Friday, Soviet Premier Nikolai Ryzhkov and the Chinese trade minister expressed their satisfaction with the development of economic and trade relations between the two countries, and wished that bilateral cooperation in the fields of economy, trade, science and technology would be further advanced.

The two sides signed a trade agreement and a protocol on settling accounts and payment between the two nations on Tuesday, when the Chinese delegation arrived here.

Soviet Economic Delegation Arrives in Heilongjiang

SK1010103690 Harbin Heilongjiang Provincial
Service in Mandarin 2200 GMT 9 Oct 90

[Text] A seven-member economic and trade delegation from the Soviet Maritime Region led by (Keerjeyue) arrived in Harbin on 9 October. The delegation held trade talks with our provincial supply and marketing cooperative on the export of technology, facilities, and aquatic products.

The Soviet guests were invited to China by Commerce Minister Hu Ping to hold talks on China-Soviet border trade. Vice Governor Du Xianzhong met with the Soviet guests at Huayuncun on the evening of 9 October. Also present at the meeting was Wang Yaochen, director of the provincial Foreign Affairs Office.

Shipment of Tractors Exported to Soviet Union

OW1110064090 Beijing XINHUA Domestic Service
in Chinese 0632 GMT 8 Oct 90

[By reporter Zhang Yi (1728 3015)]

[Text] Beijing, 8 Oct (XINHUA)—In a bid to expand exports of machinery and electronic products, the China National Machinery Import and Export Corporation has, for the first time, exported a large shipment of domestically-produced four-wheeled tractors to the Soviet Union. Of the 8,000 tractors, more than 5,100 have been delivered. The remainder of the shipment is slated for delivery by year's end.

According to sources, the corporation signed a barter trade agreement worth more than 100 million Swiss francs (over \$60 million) with the All-Union Tractor Export Company of the Soviet Union early this year. Under the agreement, China is to export 8,000 small, four-wheeled tractors to the Soviet Union in exchange for multifunction corn combine harvesters, large tractors, and other farm implements of an equivalent value. Thus far, 150 corn combine harvesters have been delivered and put into operation.

The deal has set the stage for China to widen its exports of machinery and electronic products. The 8,000 small, four-wheeled tractors exported as a result of the deal are more than the total number of similar goods exported since the founding of New China.

Northeast Asia

Further Reportage on Song Ping's DPRK Visit

Confers With Kim Il-song

HK1110024790 Beijing RENMIN RIBAO in Chinese
8 Oct 90 p 6

[Report by Zhou Bizhong (0719 1801 1813): "General Secretary Kim Il-song Meets Song Ping"]

[Text] Pyongyang, 7 Oct (RENMIN RIBAO)—Kim Il-song, general secretary of the Central Committee of the Workers' Party of Korea (WPK) and state president, this morning met with Song Ping, member of the Standing Committee of the Political Bureau of the CPC Central Committee, and his entourage, at the Kumsusan Conference Hall.

Kim Il-song extended a warm welcome to Song Ping. He said: Comrade Song Ping's visit to Korea after accepting the invitation to join us in celebrating the 45th anniversary of the founding of the WPK has added lustre to the festivities.

Kim Il-song briefed Song Ping on the recent talks the WPK held with Japan's Liberal Democratic and Socialist Parties, respectively. He said the Korean and

Japanese Governments will start consultations in November on the establishment of diplomatic ties between their countries.

Song Ping said the CPC is very pleased the relations between Korea and Japan are to be improved.

Those present at the meeting were Kye Ung-tae, member of the Political Bureau and secretary of the WPK Central Committee; Kim Yong-sun, secretary of the WPK Central Committee; Chu Chang-chun, DPRK ambassador to China; and Zheng Yi, Chinese ambassador to the DPRK.

Kim Il-song gave a banquet in honor of Song Ping and his entourage after the meeting.

Today, President Kim Il-song also met with a delegation of the Chinese Communist Youth League (CYL) led by Liu Yandong, secretary of the CYL Central Committee.

Lays Wreath for Korean Martyrs

OW0710180490 Beijing XINHUA in English
1443 GMT 7 Oct 90

[Text] Pyongyang, Oct 7 (XINHUA)—Song Ping, member of the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China (CPC), laid wreaths respectively at the cemetery of the Korean Revolutionary Martyrs and the Korea-China Friendship Tower here this afternoon.

Song Ping arrived here yesterday to pay a goodwill visit to Korea and to participate in activities marking the WPK's 45th founding anniversary at the invitation of the Central Committee of the Workers Party of Korea (WPK).

Song visited the Taesongsan Cemetery of Korean Revolutionary Martyrs, where 110 Korean heroes were buried, and laid a wreath there while a band was playing Korean and Chinese national anthems. He wrote in a visitors' book, "eternal glory to the Korean Revolutionary Martyrs' contribution in Korean History."

Afterwards, Song went to the Korea-China Friendship Tower, located in Pyongyang, and laid a wreath with a ribbon inscribed with "eternal glory to the Chinese martyr volunteers."

Song Ping and his party also visited "May 1" Stadium and underground railways in Pyongyang this afternoon.

Reportage on Anniversary of Korean Workers Party

Li Ximing Attends Banquet

OW1010154990 Beijing XINHUA in English
1501 GMT 10 Oct 90

[Text] Beijing, October 10 (XINHUA)—Chu Chang-chun, ambassador to China of the Democratic People's Republic of Korea, hosted a banquet here this evening to mark the 45th anniversary of the founding of the Workers' Party of Korea (WPK).

Li Ximing, a member of the Political Bureau of the Communist Party of China (CPC) Central Committee, and other senior officials from relevant Chinese departments attended the banquet.

Speaking at the banquet, Ambassador Chu reviewed the revolutionary road traversed by the WPK. He said that the people of the DPRK have rallied closely around the WPK headed by its great leader Kim Il-song. They will fight for the final victory of the cause of socialism and communism.

He spoke highly of the Sino-Korean friendship and of China's achievements in revolution and construction. He said the success of the 11th Asian Games showed China's stability and unity under the leadership of the CPC with Jiang Zemin at the head.

In reply, Li spoke highly of the WPK's achievements of the past 45 years in combining Marxism-Leninism with the practice of the Korean revolution.

He reiterated China's firm support of the reasonable suggestions and proposals put forward by the WPK and the DPRK Government for the independent and peaceful reunification of Korea.

He said both the CPC and the WPK are Marxist-Leninist parties, and both China and the Democratic People's Republic of Korea are socialist countries.

Li reaffirmed that come what may in the world, the great friendship between the two parties and two countries, which was sealed with blood, will be maintained.

CPC Sends Congratulations

OW1110065090 Beijing XINHUA Domestic Service
in Chinese 1522 GMT 9 Oct 90

[Text] Beijing, 10 Oct (XINHUA)—The Central Committee of the Communist Party of China [CPC] on 10 October [as received] wrote to the Central Committee of the Workers' Party of Korea [WPK] to warmly greet the 45th anniversary of the WPK founding.

The congratulatory letter says: On the occasion of the 45th anniversary of the WPK founding, we, on behalf of all CPC members and all Chinese people, hereby extend our warmest greetings to you, and through you, to the four million WPK members and to all the Korean people.

The congratulatory letter says: The Workers' Party of Korea is a proletarian revolutionary party with glorious revolutionary traditions, and its birth opened a new chapter in the history of Korea. The Korean people, under the leadership of the WPK headed by Comrade Kim Il-song, have built in Korean history the first state whose masters are the people, and won victory in the fatherland liberation war, overcoming all trials and difficulties through their heroic struggle. After the war, the Korean people built a socialist state of "independence in

politics, self-sufficiency in the economy, and self-reliance in national defence" from debris by displaying the spirit of self-reliance and hard struggle. The Korean people are now vigorously advancing toward the attainment of the grand targets of the Third Seven-Year Plan, under the banner of the three revolutions, ideological, technical, and cultural, closely rallying around the Central Committee of the WPK.

The congratulatory letter says: In the international arena, the WPK and the Korean Government consistently pursue an external policy of independence, friendship, and peace, and thus actively develop friendly relations with the people of different countries of the world and make a due contribution to defending peace in the world and Asia, and promoting the unity of the Third World and the progressive cause of mankind.

The congratulatory letter says: The 45th anniversary of the liberation of Korea falls this year, but the Korean people have not yet realized their wish—Korea's reunification—which they have long cherished and been longing for day and night. In order to attain this sacred objective, the WPK and the Korean Government have made tireless efforts and put forward a series of rational propositions and proposals in the last 45 years. The proposal for founding a Democratic Confederal Republic of Koryo, put forward by President Kim Il-sung in 1980, indicates a correct orientation and ways for the self-determined, peaceful reunification of Korea. Not long ago, the prime ministers of North and South Korea held the first high-level talks since Korea's division. The talks will no doubt yield a positive impact on relaxation and stability of the situation on the Korean peninsula, and on Korea's self-determined, peaceful reunification.

The congratulatory letter says: The Communist Party and people of China sincerely rejoice at the successes achieved by the WPK and the Korean people on different fronts, wish them greater success in socialist construction, and heartily hope for an early independent and peaceful reunification of Korea.

The congratulatory letter says: The friendship between the CPC and the WPK, between China and Korea, and between the Chinese and Korean peoples has experienced [jing li liao 4842 2980 0055] the rigorous test of history, and it has taken root deeply in the hearts of the peoples of the two countries. Our two parties and peoples have shared life and death, weal and woe in the struggle against the common enemy and supported, learned from, trusted, and understood each other in the period of socialist construction. In recent years, the leaders of our two parties and countries have further deepened mutual understanding through exchanges of visits and meetings and brought our profound [shen hou 3234 0624] friendship to a new height. The Communist Party of China always treasures the traditional friendship with the WPK and the Korean people and takes it as its unshakable policy to constantly consolidate and develop Sino-Korean friendship. This is in line with the fundamental interests of the two parties and peoples, and is conducive

to peace and stability in Asia and the world. The Communist Party and people of China will faithfully maintain the militant friendship between the two peoples forged with blood, no matter what changes the international situation may undergo in the future. We wholeheartedly wish that this friendship will go on from generation to generation.

Shenyang Marks Founding

SK1010133690 Shenyang Liaoning Provincial Service
in Mandarin 2300 GMT 9 Oct 90

[Text] The Korean General Consulate in Shenyang held a reception at Shenyang's Liaoning Building on the evening of 9 October to mark the 45th anniversary of the founding of the Workers Party of Korea. Xu Wencai, Standing Committee member and secretary general of the Liaoning provincial party committee; Yu Jingqing, president of the provincial China-Korea Friendship Association; Zhang Mingqi, deputy secretary general of the provincial government; Major General (Zong Xulei), deputy chief of staff of the Shenyang Military Region; and Dong Wande, deputy secretary of the Shenyang city party committee, were invited to attend the reception. Consul General Yu Man-pok and Secretary General Xu Wencai gave ebullient speeches at the reception and watched a Korean documentary "Flower of Reunification."

Japan's Middle East 'Power Diplomacy' Analyzed

OW0910225590 Beijing XINHUA Domestic Service
in Chinese 1107 GMT 9 Oct 90

[By reporter Jiang Yuzhe (5592 6276 3181): "News Analysis: Japan's Attempt at Power Diplomacy"]

[Text] Tokyo, 9 Oct (XINHUA)—Japanese Prime Minister Toshiki Kaifu returned to Tokyo today after concluding an 11-day visit to the United States, Egypt, Jordan, Turkey, Saudi Arabia, and Oman. Public figures here have said that Kaifu's visit shows that Japan is getting impatient about becoming a "political power" commensurate with its economic strength. As a result, it carried out an attempt at "power diplomacy" by taking advantage of the opportunity created by the tension in the Middle East.

After arriving in the United States, Kaifu attended the United Nations conference of world heads of state to discuss children's problems and held his fourth summit with President Bush. The main purpose of the talks between Kaifu and Bush was to coordinate the policies of the United States and Japan and to demonstrate Japan's role in a solution to the Middle East crisis. During the talks, Kaifu stressed that Japan should not only help the "foreign forces" and the "peripheral countries" with funds, but should also step up efforts to send "peace and cooperative teams" to the Gulf region. He indicated that Japan was ready to cooperate with the United States and to carry out its "obligations" in the

form of increasing its share of the financial burden for U.S. forces in Japan and through other forms.

By visiting the Middle East when tension there is continuing to rise, Kaifu hoped to make use of Japan's economic strength to enhance its political relations with Middle East countries so that it will have more rights to have a say in Middle East affairs. The Japanese Government announced that it will provide \$2 billion in economic aid to the "peripheral countries" suffering economic losses from the sanctions against Iraq. During this trip, Kaifu gave a total of \$950 million in emergency economic aid to Egypt, Turkey, and Jordan, all of which welcomed it.

The "climax" of Kaifu's Middle East visit was his talks with Iraqi Deputy Prime Minister Ramadan in Amman. This was the first contact between a principal head of state from the West and an Iraqi leader since Iraq's invasion of Kuwait. But judging from the results of the talks, nothing fruitful was achieved by the two sides. Kaifu stressed that Iraq must withdraw its troops from Kuwait and free all the detained hostages of various countries. Ramadan indicated that "Kuwait was a part of Iraq historically."

Observers in Tokyo said Kaifu's Middle East visit shows that Japan is trying to make use of its economic strength to play the role of a "political power" in settling the Middle East crisis. But it still needs to be seen how much his visit can strengthen Japan's influence in the Middle East region and how much Japan can contribute to the solution of the crisis.

Near East & South Asia

Qian Qichen, Omani Advisor View Gulf Crisis

OW1010134490 Beijing XINHUA in English
1304 GMT 10 Oct 90

[Text] Beijing, October 10 (XINHUA)—Chinese Foreign Minister Qian Qichen has once again called for a peaceful settlement of the Gulf crisis.

In his talks with Dr. Omar al-Zawawi, visiting advisor to the sultan of Oman for foreign affairs here this afternoon, Qian said that peaceful means is the best way to solve the Gulf crisis and every effort should be made to avoid the use of force.

According to a Chinese Foreign Ministry official present at the meeting, Qian warned that a war in the Gulf will have disastrous consequences and affect the world economy.

Qian said the Gulf crisis was created by the Iraqi invasion and annexation of Kuwait. "No invasion and annexation of a sovereign state, for whatever purposes or reasons, is acceptable," Qian was quoted as saying.

Al-Zawawi said that Oman and China share identical views on the Gulf crisis, adding he hopes China would play a more active role in the settlement of the crisis.

The Chinese foreign minister spoke highly of Oman's contributions to the strengthening of the unity of the Gulf countries and the stability in the region. Mentioning Chinese President Yang Shangkun's visit to Oman last year, Qian expressed his satisfaction over the development of the friendly and cooperative relations between China and Oman since the establishment of their diplomatic relations in 1978.

Al-Zawawi and his entourage arrived in Beijing at noon today for a goodwill visit to China. They were honored at a dinner by the Chinese foreign minister in the evening.

Liu Huaqing Meets Iranian Defense Minister

OW1010123790 Beijing XINHUA in English
1123 GMT 10 Oct 90

[Text] Beijing, October 10 (XINHUA)—Gen. Liu Huaqing, vice-chairman of the Central Military Commission, met here today with Lt. Gen. A. Torkan, minister of defense and the support of the armed forces of Iran, and his party.

The two sides discussed relations between China and Iran and armed forces of the two countries.

Military Paper Cites Israeli War Strategy

HK0810082390 Beijing JIEFANGJUN BAO in Chinese
21 Sep 90 p 3

[Article by Feng Yuqiang (7458 1937 1730) and Su Xiangdong (5685 0686 2639): "Phenomenon of 'the Weak' Being Able To Bully 'the Strong' Merits Attention"]

[Text] Ever since war descended onto the human world, a nation's comprehensive strength has been the determining factor in victory or defeat. However, in contemporary local warfare, the victor is not necessarily the stronger in comprehensive national strength.

On 7 June 1981 Israel launched an air attack on Iraq's nuclear reactor, and that was a typical case of the "weak" bullying the "strong." Let us use geographical conditions, population, economic strength, and military muscle—the main factors constituting a nation's comprehensive strength—as the criteria in making a comparative analysis of the two countries before the war.

Israel had 14,000 square kilometers, 3.6 million people, a GNP of \$16.69 billion, and a total industrial output value of \$3.4 billion. Iraq had 444,400 square kilometers, 16.2 million people, and more than \$20 billion output value in oil alone. Israel had 169,600 soldiers, among whom the Army comprised 135,000 men, who were divided into 24 armored brigades, nine mechanized brigades, nine infantry brigades, five paratroop brigades, and nine artillery brigades, which were equipped with

3,050 tanks, 4,000 armored cars, and 1,000 artillery pieces; its Air Force had 535 fighter planes, and its Navy had 98 ships. Iraq had 223,000 soldiers, among whom the Army comprised 190,000 men, who were divided into four infantry divisions, four armored divisions, two mechanized divisions, two garrison brigades, one mechanized brigade of guards, and one task brigade, which were equipped with 4,800 tanks, 5,000 armored cars, and 3,500 artillery; its Air Force had 580 fighter planes, and its Navy had 50 ships. Iraq's superiority was all too obvious, but it was beaten rather badly.

How could such an unreasonable phenomenon occur? This is first determined by a special feature of local war; that is, the war generally "lasts for a short period of time." World War II lasted six years, and each day in the war, a person used one kg of ammunition and 0.73 kg of oil; and 50 million people died. To fight a war of such scale, it is difficult to win without strong war resources. Some countries might be in a passive position and suffer blows at the initial stage of a war, but with stronger comprehensive national strength, they can gradually turn the tide to win the war; countries with weak comprehensive national strength might win for a while in the beginning of a war, but because they cannot endure the drain of a long lasting war, they will eventually be defeated. Compared with a world war, local war means a war of limited scale, in a limited area, at a limited time, and with the use of limited force; the state does not carry out a general mobilization or even a mobilization for war. The Israeli attack on the Iraqi nuclear reactor lasted only 15 minutes, and blew the multimillion dollar project into ashes. In such a situation, it is difficult for a country to use its comprehensive national strength. Furthermore, the transformation of comprehensive national strength into combat strength cannot be accomplished in a single day; it needs a rather lengthy period. According to an analysis based on the data from World War II, generally, it takes at least three months for a country to change from the normal time to war time. Therefore, it is not strange to see "a mouse" bullying "an elephant."

The "weak" dares to bully the "strong," because he has the "vital weapon" not possessed by the "strong," and this leads to some partial superiority. Moreover, in modern partial warfare, the "surgical" combat method with high technology as the mainstay, has created conditions for the "weak" to bully the "strong." A world war is fought by various arms (troops) of the army, navy, and air force, and by various technologies and weapons; and in such a war, one or two advanced weapons or technologies generally will not have a big effect. But in a local war, the invader usually relies on a single arm (type of troop), and one or two weapons as the "fatal means" to suddenly attack a limited target on the enemy's side, and pulls out quickly after accomplishing the goal, not allowing the enemy time to react. The Israeli attack on the Iraqi nuclear reactor was accomplished by its advanced aircraft and electronic combat technology. Because Iraq lacked the means and combat method to

deal with Israel's advanced technology, it could only suffer blows when disaster came.

Judged from the results of various local wars since the 1970's, the more sudden a "surgical" attack is, and the shorter the time, the more difficult it will be for the attacked country to promptly react. At the same time, the higher the degree of difficulty in this kind of military action, and the more advanced the weapons used, the higher the degree of difficulty there will be for the enemy to react correspondingly.

The above-mentioned phenomena tell the people that in war, a weak country's strength should not be taken lightly.

West Europe

Dalai Lama's Visit to France Protested

HK1010100090 Hong Kong AFP in English 0938 GMT 10 Oct 90

[Text] Beijing, Oct 10 (AFP)—China has officially protested to France over the Dalai Lama's meeting with government ministers in Paris on Monday, a Foreign Ministry spokesman said Wednesday.

"We are absolutely opposed to connivance or support (for the Dalai Lama) by any foreign government, organization or individual," the spokesman said, adding that Beijing also opposed "persons holding important positions" meeting him.

The exiled Tibetan spiritual leader met Monday with Deputy Foreign Minister Edwige Avice, Culture Minister Jack Lang, Bernard Kouchner, secretary of state for humanitarian affairs, and Laurent Fabius, chairman of the National Assembly.

"The Dalai Lama is a political activist in exile who has been for a long time engaged in activities of splitting the motherland and undermining national unity," the spokesman said.

He repeated Beijing's policy that Tibet is "an integral part of China's territory" and that "the Tibetan question is clearly within Chinese internal affairs."

Chinese troops invaded Tibet in 1950.

The foreign ministry called in the German ambassador here, Hannspeter Hellbeck, to protest talks last week between the Dalai Lama and German President Richard von Weizsaecker.

Zhang Jingfu Meets French Industrialist

OW1110090490 Beijing XINHUA in English 0821 GMT 11 Oct 90

[Text] Beijing, October 11 (XINHUA)—Zhang Jingfu, member of the Standing Committee of the Central Advisory Commission of the Chinese Communist Party,

met here today with Pierre Suard, chairman and chief executive officer of CGE and Alcatel N.V. of France, and his party.

The visitors arrived here October 7 at the invitation of the Chinese Ministry of Posts and Telecommunications.

Contract Signed To Buy Spanish Telephone Systems

HK1110021890 Beijing CHINA DAILY in English
11 Oct 90 p 2

[By staff reporter Song Ning]

[Text] A major Chinese import and export company signed a contract yesterday to buy about 100,000 lines of telephone exchange systems from Spain.

The contract was signed at the Beijing Hotel between the China Instruments Import and Export Corporation and Spain's ASES, a subsidiary of the Paris-based Alcatel Corporation.

ASES's System 12 telephone equipment, which was purchased with \$30 million from a \$450-million soft loan programme offered early this year by the Spanish government to China, will be installed in Taiyuan and Datong in Shanxi Province, an official with the Chinese company said.

These exchanges will start operation in two years, the official said, adding they will largely improve telecommunication ability in the two inland cities.

Under the contract, 64,000 lines of exchanges will be built in the Shanxi capital of Taiyuan, where telephones currently operate on only 40,000 lines.

Datong will have 28,000 new lines of exchange equipment. The city, which is located in northern Shanxi and is known to the world for its rich coal resources, now has only 18,000 lines of telephone.

The official said the Shanxi contract was the latest of 10 such deals to buy telephone equipment with the Spanish loan for 10 Chinese municipalities and provinces. The total cost of the 10 deals was \$180 million.

In April, the China Instruments Import and Export Corporation bought 200,000 lines of Spanish telephone exchanges for Sichuan Province. It signed another contract with Spain last month to buy another 120,000 lines for Shanghai.

Latin America & Caribbean

Bolivian Vice President To Visit 15-23 Oct

OW1110081090 Beijing XINHUA in English
0713 GMT 11 Oct 90

[Text] Beijing, October 11 (XINHUA)—Luis Ossio Sanjines, vice president of Bolivia, will pay a goodwill visit

to China from October 15 to 23, Chinese Foreign Ministry announced here this morning.

Luis Ossio Sanjines, also president of the Bolivian National Congress, is invited by the Standing Committee of China's National People's Congress.

Brazilian Official Congratulates PRC on Asiad

OW1110022190 Beijing XINHUA in English
0130 GMT 11 Oct 90

[Text] Brasilia, October 10 (XINHUA)—Zico, Brazil's renowned soccer star and his country's secretary of sports, Tuesday congratulated China for its outstanding performance at the Asian Games which ended on October 7.

Speaking to XINHUA, Zico said the impressive number of gold medals won by the Chinese athletes during the games showed that China promoted and developed sports seriously in recent years.

"We are happy to see the great results achieved by China in sports, and we sincerely congratulate the successes gained by China in the Asian Games in Beijing," Zico said.

Regarding sports exchanges between China and Brazil, Zico said the Brazilian Government is drafting plans for the construction of an academy of athletics trainers and, after it is built, Chinese trainers in specific disciplines will be invited to offer instructions.

CPC Delegation Meets With Cuban Party Leader

OW1010122990 Beijing XINHUA Domestic Service
in Chinese 0821 GMT 7 Oct 90

[Text] Havana, 6 Oct (XINHUA)—Carlos Escalante Aldana, member of the Secretariat of the Central Committee of the Communist Party of Cuba, met and feted on 6 October a delegation of party workers headed by Gu Yunfei, member of the CPC Central Discipline Inspection Commission.

During his conversation with the Chinese guests, Aldana expressed his wish to further relations between Cuba and China. He said: The Cuban Government has drawn up targets of production development. Although Cuba currently is facing great difficulties, it has the ability to overcome them.

After concluding their visit to Cuba, Gu Yunfei and his party left Havana for home on the afternoon of 6 October.

Political & Social

Article on Challenge to Deng Xiaoping, Li Ruihuan

HK1110105190 Hong Kong CHING PAO in Chinese
No 159, 10 Oct 90 pp 28-31

[Article by Pi Tien-sheng (4310 1131 3932): "Li Ruihuan Is Discriminated Against by Conservative Forces at Every Step; Deng Xiaoping Is Surrounded by Political Octogenarians Everywhere—A Great Trial of Strength Between Two CPC Factions on the Eve of the Seventh Plenary Session of the CPC Central Committee"]

[Text] News from Beijing says that on the eve of the Seventh Plenary Session of the CPC Central Committee, two forces within the CPC are carrying out a great trial of strength. Li Ruihuan has been excluded from the newly organized ideological propaganda leadership group and Deng Liqun is exercising control over propaganda again. Deng Xiaoping's decisionmaking power in important matters has been impeded by the political octogenarians. The contents of "reform" have been taken out of the "Eighth Five-Year Plan" and 10-Year Plan... What exactly is the future political and economic orientation? The outcome will be revealed at the Seventh Plenary Session of the CPC Central Committee.

During the Asian Games, although the streets of Beijing were beautifully decorated and the market was brisk, and all provinces and cities on the mainland did their utmost to pass the Asian Games torch in order to win people's support, there was an awe-inspiring atmosphere inside. The public security department carried out a secret shock trial of intellectuals, university students, and workers who had been arrested last year and planned to send the convicts to remote border provinces and regions. At the same time, a large number of troops were sent into Beijing, and defenses and sentry posts were set up in all key areas. The Propaganda Department of the CPC Central Committee issued a document on "the points of attention for reporters when gathering news during the Asian Games" to all Beijing press units under strict control, strictly prohibiting reporters on the mainland from making contact, and having conversations with foreign reporters, and Hong Kong and Taiwan reporters in any form; otherwise, they would be punished.

The CPC Reorganizes the Ideological Leadership Group

The pain suffered by intellectual circles on the mainland has been aggravated. According to a report, the CPC Central Committee has recently rearranged the members of the "ideological propaganda leadership group": Jiang Zemin has taken command, Deng Liqun is in charge of the routine work, Wang Renzhi and Xu Weicheng are members, Hu Qiaomu is an adviser, and Li Ruihuan, who was responsible for the work of this group, has been excluded; he has been criticized by a group of octogenarians at the high levels of the CPC. It is alleged that he "did not adopt a clear attitude in criticizing bourgeois

liberalization, he did not work resolutely, and he catered to the resentment of those who had made serious political mistakes"; and "he made a fuss over a trifling matter in an issue of ZHONGGUO WENHUA BAO and dampened the enthusiasm of the comrades who had resolutely combated bourgeois liberalization." He Jingzhi recently visited some places, including Shaanxi, and told people proudly: "Some people say that I am against Li Ruihuan. Have I the nerve?" This implies that he has backstage supporters. The news about the reorganization of the "ideological propaganda leadership group of the CPC Central Committee" makes intellectual circles on the mainland depressed and bitterly disappointed.

A Lengthy Ninth Comment Type Article [This refers to the ninth article published by the CPC, refuting the open letter of the Communist Party of the Soviet Union. The article, published on July 14, 1964, was entitled "On Khrushchov's Phoney Communism and Its Historical Lessons for the World."] Is Dished Out Again

Two things connected with the above-mentioned matter attract people's attention. One is: In October last year, Hu Qiaomu, Deng Liqun, and others organized a number of people to write a lengthy article "On a Number of Questions of Socialism" after deliberation in Xishan, Beijing, for as long as three months. The style and theoretical viewpoint of this article is roughly similar to the "Ninth Comment" written by Mao Zedong, Kang Sheng, and Chen Boda. With the social changes in East Europe and the Soviet Union as an "imaginary enemy" and with Zhao Ziyang's ideas on reform as a "target," the article prattles on about very obsolete and backward views that "class struggle becomes intense with each passing day," "two groups fight a last-ditch struggle," "the sacred system of public ownership cannot be abolished," "socialism will surely defeat capitalism," "self-reliance is our family heirloom," "the important historical task of defending the world communist movement falls on the CPC members," "Marxism is an eternal truth," and "the people will not take the socialist road consciously and it is necessary to vigorously imbue them with socialist ideas". The article says in a wild manner "who else except me can be the leader of the world revolution." After this article was completed, a report was made to Deng Xiaoping, who maintained: "It does not disclose many new things, nor does it summarize and sum up the theoretical development and practice of the 10 years of China's reform and opening up; its publication is inadvisable. Some propositions have been forsaken by us and need straightening out, and it is inappropriate to put them forth again." Li Ruihuan also had reservations about this lengthy article and therefore, it was temporarily left unissued as an official document within the party but was printed as an unofficial pamphlet for perusal within the party. Following the promotion of Deng Liqun within the party again, this lengthy article was recently dished out and it is demanded that in the CPC, "everyone must read and study it" and "it

must be regarded as a powerful weapon to criticize bourgeois liberalization and to strengthen the party's theoretical building."

Chen Yun's Economic Ideas Prevail

The second thing is that a clamor for "studying Comrade Chen Yun's economic ideas" has been made again. An economist instructed to write articles to preach "Chen Yun's economic ideas" told the writer: Frankly speaking, Chen Yun's ideas and method of pursuing the economy are basically inapplicable to China's economic modernization; a fundamental defect of his ideas is the lack of a tool of value as a means to balance the various basic economic relations and they are, therefore, inoperable and cannot enhance economic results. Second, Chen's ideas basically do not touch the problems of enterprise technological progress and rational disposition of economic resources, and these two problems are the major ones that should be solved in China's economic modernization. Discussing economic development when these problems are evaded and disregarded, is to no avail. What worries people is that Chen Yun's economic ideas are today regarded as the guiding ideas for formulating the "Eighth Five-Year Plan" and as the so-called sole correct principle for rejecting the fruits of the 10 years of reform of the economic structure. The consequences brought about by these ideas are unimaginable. The worries of this economist are not unreasonable. Figures from economic circles on the mainland disclose that while the CPC is formulating the "Eighth Five-Year Plan" and the 10-Year Plan, the contents of "reform" have basically been taken out from them; strengthening agriculture, planned guidance, key projects (the state concentrates investment on them), and self-reliance are emphasized more, and the restoration and strengthening of the planned economic structure is regarded as the important content of the "Eighth Five-Year Plan" and 10-Year Plan. The State Commission for Restructuring the Economic System whose post of minister was assumed by either the premier of the State Council or by a state councillor in the past, has recently been downgraded by the CPC Central Committee to a non-policy-making administrative and advisory organ whose post of minister is assumed by a general cadre. This is also an organizational step adopted in coordination with the above-mentioned guiding ideology. In addition, Chen Yun's economic ideas prevail and this shows that the economic reform initiated by Deng Xiaoping has been pushed to a secondary position, and Deng Xiaoping's decisive role in making policies on important matters at the high levels of the CPC has given way to the form of joint participation and mutual restriction by many octogenarians.

The presence of the above-mentioned situation makes more and more people feel strongly that the conservative force in the CPC is drawing the mainland into a relatively long, stagnant period. The following main factors lead to the stagnation:

Political Octogenarians Who Are Reluctant To Give Up Power Form a Group

1. The political octogenarians exist in the form of an influential group. In the initial period of the 1980's, with his prominent status and role in the party, Deng Xiaoping took the lead in putting forward the proposition on reform that new and young people should be allowed to be successors as soon as possible, and the old should retire to the second line. He hoped to solve the questions of the old and ossified leadership groups in a conscious, gradual, and moderate form. Successfully pushed to the leadership posts, the elitists in the party, including Hu Yaobang and Zhao Ziyang, who had ability and the spirit of reform and blazing new trails, enabled a large number of intellectuals inside and outside the party, who had been politically suppressed for a long time, to take up the CPC leadership posts at all levels; and expanded the scope and channels of the circle of CPC power for the talented people of many quarters to enter. However, as Deng Xiaoping neglected the corresponding reform of the political structure and building of the democratic structure within the party, the initial fruits he had won in political reform could not be consolidated and developed. As a result, a number of elitists within the party, including Hu Yaobang and Zhao Ziyang, were later not reconciled to the backward, ideologically ossified, and conservative political octogenarians' non-procedural mode of work that ran counter to the will of many figures both inside and outside the party, and were driven out of office. The new people who had entered the political arena could not establish prestige nor create a new situation, and many channels for many talented people to enter the scope of power were reduced and stopped. In this way, the chances and scope for the political octogenarians to select their ideal successors became less and less. At the same time, the elitists within the party could not grow up in the party, the force of reform could not gather and be strengthened in the party, and finally, a backward situation in which the high levels of the CPC were "devoid" of talented people and "devoid" of policymaking ability was formed. In this course, the political octogenarians who are reluctant to give up power become older and weaker and can no longer deal with the political affairs. This is most likely to render the state operative machine out of order, in disorder, and inefficient. The people's enthusiasm and creativeness cannot be aroused and the will of the people of such a large country cannot be made to reach a consensus. Consequently, the desired results of any measures to rejuvenate the state economy cannot be achieved. What should be especially pointed out is that as the group of the political octogenarians who are reluctant to give up power exists, none of them is willing to let any other one become an absolute authority and they will make use of all opportunities to level their status. This means none of them is able to become a figure who attempts something and accomplishes something. They advance and retrogress together, and are

attached to one another, resulting in a declining, mediocre, and incompetent group—this is just one of the big disasters in a nation that is long accustomed to obeying an absolute authority.

Ultra-Left Strict Control Is Restored

2. Since the outbreak of the June 4 incident of last year, the CPC has completely restored and strengthened the strict control over the political ideas that was exercised in the ultra-left period; prohibited all differing views; punished people who a tiny number of authoritative figures cannot tolerate, by sending them to jails, sentencing them to imprisonment, expelling them from the party, discharging them from public employment, demoting them, reducing their wages, and reallocating jobs to them; and forced the masses to accept their conclusion on the June 4 incident and the so-called "socialist" ideas. This method of work is identical to the ultra-left political measures adopted in the period of the Cultural Revolution, and proves that the political structure of the CPC after 10 years of reform and opening up is not much different from the political structure in the period of the Cultural Revolution. Such a state originated from the fact that at the beginning of reform, the CPC did not seriously nor thoroughly straighten out, expose, and criticize all political mistakes made in the period of the Cultural Revolution; and from the disastrous and erroneous "structural disease" caused and also originated from the Stalin-type design of the political structure of China that Mao Zedong made. Deng Xiaoping's statement that "it is advisable to deal with matters roughly but not meticulously" made the CPC lose a good historical opportunity to thoroughly expose and criticize the mistakes. As a result, the remaining evil elements of the ultra-left force in the period of the Cultural Revolution still exist and grew strong, and the conservative and ossified group within the party forms an increasingly powerful political alliance. Such being the case, how to appraise the 4 June incident, this prominent political event, has caused a sharp political contradiction difficult to remove or alleviate between the CPC and the public, between the conservatives and reformists in the CPC, and between the CPC and different political forces in the world. Due to a lack of public understanding and approval, measures taken by the CPC to stimulate political, economic, and social progress will be of no avail, nor can the CPC smoothly proceed with the modernization of the country because of all forms of resistance from the public, who can no longer withstand the heavy pressure. In addition, the CPC will continue to use its powerful military forces and a complete set of dictatorial machines to prevent the country from experiencing a major turmoil. But it will pay a high price, including excessive financial, material, and human resources, to achieve the target of political stability, thus leaving little effort for development and reform. In such cases, all undertakings may face a prolonged stagnation.

The New and Old Structures Will Continue To Contradict

3. On the one hand, reform and opening up for the last 10 years have brought tremendous economic vitality to the mainland and improved its economic strength; but on the other hand, a lot of problems have cropped up, which should be resolved through reform and opening up. At this crucial historical turn, one will fall behind if one does not forge ahead. Since the 4 June incident, the CPC has been unable to carry out reform and opening up in a planned way or step by step because during the initial stage of reform it did not make adequate, theoretical preparations or seriously sum up historical lessons. In addition it set confusing reform targets (such as "wading across a river by feeling the stones in it") and failed to promptly introduce political structural reform in coordination with economic structural reform. Thus at this important historical turn it can only resort to the old structure, gradually abandoning the achievements in the 10 years of reform. While stifling the vitality of reform and opening up, the CPC is also using the economic strength resulting from reform and opening up to reinforce the operational framework of the old structure. Under the coexistence of the new and old structures on the mainland, it is impossible yet for the economic conservatives represented by Chen Yun and Yao Yilin to gobble up the new structure. The local financial work contract system, the enterprise contract system, the double track price system, the expansion of markets, tens of thousands of township enterprises, civilian-run private enterprises, joint ventures, wholly-owned enterprises, and the four growing special economic zones have become an indispensable component of the mainland's economic life. Since they have existed, they will struggle for their existence, no matter the environment. Therefore, a prolonged period will take shape in which the old structure is restored and the new structure is gradually devoured. This period will undergo the process of development, slowing down of development, and stagnation. It should be pointed out that although the economic conservatives in top CPC leading circles are strongly inclined to restore the old structure, they are meeting with increasing resistance.

Deng Expressed Dissatisfaction With the Eighth Five-Year Plan

A friend with close access to top-level CPC leading circles told the writer of this article that when the "Eighth Five-Year Plan" and 10-year program formulated by Li Peng and Yao Yilin were submitted to Deng Xiaoping for review, he expressed dissatisfaction because the plan and program were excessively biased to the restoration of the planned economy to the neglect of reform and opening up. He pointed out, "There is a need to solicit and listen to wide-ranging opinions. The nineties is a key period and a hard-earned opportunity. Continue to carry out reform and opening up with bigger steps, I think there is much hope." Deng Xiaoping also demanded that the plan and program be delivered to Zhao Ziyang so that he could make suggestions. Deng

said, "You were in charge of the State Council most of the time during the eighties. You had achievements and lessons in your work. It will be of help if you make suggestions for our future programs." It was said that Zhao Ziyang wrote a long letter to Deng Xiaoping concerning the problems in the "Eighth Five-Year Plan" and the 10-year program. The letter explained the convergence of the first and second 10 years by effectively carrying out reform. Many economic academics who participated in the formulation of Zhao Ziyang's reform program in the past also made sharp criticism and sincere suggestions on the "Eighth Five-Year Plan" and the 10-year program.

Li Peng Objects to Taking Reform as the Guiding Factor

Naturally, Li Peng and Yao Yilin, supported by Chen Yun and other octogenarians, were not willing to seriously accept Deng Xiaoping's or others' criticism. The response they made was this: The international and domestic situation in the 1990's is different from that in the 1980's, and this necessitates the formulation of a different development strategy. At a recent restricted meeting, Li Peng said, "Of course, the ideas for drawing up the 'Eighth Five-Year Plan' and the 10-year program cannot be separated from the analysis of the international and domestic situation. Perhaps we will face a more difficult international environment in the 1990's than in the 1980's. We should be mentally prepared for this.... The domestic situation should not be taken lightly, there are a lot of people who try to stir up riots. Guarding against and preventing the occurrence of riots still remains an important task for us to undertake. Therefore, in the coming 10 years, I am afraid we have to give more thought to the formulation of ways and methods to develop China's economy on the basis of self-reliance, following Chairman Mao's instruction of 'relying mainly on our efforts while making foreign assistance subsidiary.' Maintaining this standard requires focusing our efforts on the domestic economy. In agriculture, the output-related household-based responsibility system should be improved, and what is more important is to develop and expand the collective economy. We should be active but steady in developing the economy, and find a way to develop China's agriculture...." Li Peng's remarks were directed to whether China should continue to take reform and opening up as the guiding principle in the 1990's. His conclusion was: "Reform and opening up should not be taken as the guiding principle; instead, sustained, steady, and coordinated development should be taken as the guiding principle." Comparing the two, Li Peng's principle got the upper hand, and Deng Xiaoping could not help it. This trend makes it hard for people to expect faster development on the mainland in the coming 10 years.

Deng Xiaoping Criticized Wang Zhen for Interfering

Stagnation is an inevitable trend for mainland political and economic operations. This trend cannot be altered. But how long will it last? It is too early to predict. But

one thing is for certain, this stagnation period will end earlier if no other people fill the political vacancy left over by the disappearance of the CPC gerontocrats. Of course, Deng Xiaoping is still making efforts to prevent the gerontocrats from meddling too much in first-line work. Not long ago Wang Zhen, referred to as a "political oligarch" by the mainland people, went to see Peng Zhen, Bo Yibo, and then Deng Xiaoping to complain about Wan Li and Li Ruihuan. Deng Xiaoping said impatiently, "Bearded Wang, Jiang Zemin is in charge of the work in the Secretariat, Wan Li is in charge of the People's Congress, you should only take charge of the affairs relating to your vice presidential position, do not mind others' business too much. I would like to repeat what I said before: Veteran comrades should be self-conscious. I suggest that at the Seventh Plenary Session, you consider winding up the Central Advisory Commission's work and explaining it to the entire party and people. The third generation leading core has taken shape, our historical mission is over." Quite disappointed, Wang Zhen left. He went to see Peng Zhen to complain about Deng Xiaoping. He was reluctant to part with Peng Zhen, who happened to bump into him due to his clumsiness. Wang Zhen fell so seriously as to break his pelvic bones, and had to stay in a hospital for medical treatment. But it still remains a question whether Deng Xiaoping can dissolve the Central Advisory Commission protected by Chen Yun. Without Chen Yun's powerful support, it would have been impossible for Deng Liqun to recontrol the CPC Propaganda Department and to maintain a balance of power directly with Li Ruihuan. In such cases, the political influence of the gerontocrats as a whole will not disappear even if one or two of them leave the world. The sluggish disappearance of the gerontocrats will prolong the stagnation period.

The Seventh Plenary Session Will Decide the 10-Year Orientation

We can also view the length of the mainland's stagnation period from another angle: Can the economic conservatives in the CPC use the old structure to prevent China's economy from collapsing? Last year the mainland registered a low economic increase, its market remained weak despite a prolonged remedy, and no method provided by the old structure was of any avail. The country's financial situation has worsened since the beginning of this year, with an increase in the number of loss-incurring enterprises. The state has used 60 billion yuan to make up compensation for these losses. Apart from this, the state has also allocated a subsidy of 40 billion yuan for big cities this year and to repay the debts left over by the Asian Games projects. These two huge sums of money have heavily weighed down on state finances, so heavily that since September this year enterprises throughout the country have faced depression in their production, the economy keeps decreasing, production costs are rising, and the market has remained weak. More inflation will break out after the previous huge money injection. According to an estimate by some people in mainland economic circles, there will be a big economic crisis in the

first half of next year, so serious that it will be difficult to maintain a normal economic order. Economic experts mustered by Li Peng and Yao Yilin have different opinions on the situation and do not know why the mainland market cannot be ignited or the cause of the weak market. As a matter of fact the mainland public has made a pessimistic estimate of the future. Regional divisions between mainland markets, the restrictions of the planning system on these markets, the serious deviation of the price system from the price rules, the unrestricted use of capital under state ownership, and investments without a strong impulse, are the factors causing the present economic difficulties on the mainland. These shortcomings cannot be resolved without further reform. Because the economic conservatives in top CPC leading circles are evading reform, they cannot be extricated from this predicament. If the economy deteriorates further, it will be hard for the mainland to end the stagnation period, still less to get out of it.

There is widespread news that the Seventh Plenary Session of the 13th CPC Central Committee will be held in October, possibly to decide the political and economic orientation for the coming 10 years. People are taking a wait-and-see attitude toward its results.

Deng's Son Reportedly Becomes Unofficial Aide

HK1010111490 Hong Kong CHING PAO in Chinese
No 159, 10 Oct 90 p 40

[Article by Lu Wen (7120 2429): "Several News Tidbits About Political Octogenarians in Beijing"—first paragraph is CHING PAO abstract]

[Text] Political octogenarians send their secretaries to attend Political Bureau Standing Committee meetings in order to sway decisions; Deng Zhifang has become Deng Xiaoping's political assistant; Deng Xiaoping made Jiang Zemin Military Commission chairman after soliciting Marshal Xu Xiangqian's opinion; the information that Wang Zhen provided when toppling Hu Yaobang was inconsistent with the facts, which caused Old Deng's discontent.

Sending Secretaries to Political Bureau Meetings as Nonvoting Participants

Several of the political octogenarians in Beijing have been hospitalized for their incurable diseases to recuperate and prolong their lives. Therefore, they cannot attend Political Bureau Standing Committee meetings themselves, but they do not want to give up their political privileges. Recently, some of them sent their secretaries to attend the meetings, and the latter expressed opinions and argued about various issues on their [the octogenarians] behalf. This is a political aberration of the CPC high-level decisionmaking organ. It is learned that at a Political Bureau Standing Committee meeting, only one of the three resolutions to be discussed was passed just because the secretaries of two political octogenarians emphasized that the old men they represented had not been informed about the other two

resolutions. Therefore, the resolutions had to be left to the next meeting after General Secretary Jiang Zemin had asked for instructions from the two political octogenarians in question. A Standing Committee member who entered the Political Bureau a year ago was very unhappy about this situation. When the meeting was over, he sighed as he walked out: "Is this socialist democracy!? I have never imagined political democratization in China to be so difficult."

Deng Zhifang Has Become Deng Xiaoping's Political Assistant

These years, as poor hearing in both his ears has been troubling Deng Xiaoping, and his hearing aid has failed to give satisfactory results, he cannot hear anything clearly until his youngest daughter Mao Mao [3029 3029] (i.e. Deng Nan) shouts into his ears. It is said that his youngest son, Deng Zhifang, who has returned to China after completing his studies in the United States, has become Deng's private political assistant. In name, he is now the vice general engineer of the Chinese International Credit and Investment Corporation. But in fact he has recently become an ambassador-at-large sent by Deng Xiaoping, and pays regular secret visits to other countries or various provinces and municipalities to gather information which is then reported directly to his father.

Marshal Xu Xiangqian Objects To Making Yang Shangkun Military Commission Chairman

It is said that shortly after the 4 June incident, when it came to the selection of candidates for the Military Commission chairmanship, Deng Xiaoping originally intended to give this post to Yang Shangkun, his fast friend during the second civil war period. But when Deng asked Marshal Xu Xiangqian for his opinion, Xu said: "It is better to give this post to me than to him." Consequently, Deng Xiaoping decided to let Jiang Zemin take up, as a concurrent post, the nominal title of Military Commission chairman, which eased up the conflicts in the army.

Some people said that in the CPC's history, whoever occupied the post of general secretary, be he Zhang Wentian, Deng Xiaoping, Hu Yaobang, or Zhao Ziyang, invariably came to a bad end and was brought down by their political rivals through extraordinary means. This prompts a speculation that if the present general secretary, Jiang Zemin, fails to follow the political octogenarians' baton some day in the future, history will probably be repeated.

Li Xiannian Was Most Active in Toppling Zhao Ziyang

It is widely speculated that Wang Zhen, who tends to shoot off his mouth, must have been among the political octogenarians who helped bring down Zhao Ziyang from power. But this is not the case. The truth is that Wang Zhen played a leading role in toppling Hu Yaobang. But after Hu was thrown out of power, Deng was always in low spirits. He blamed Wang for having reported what

was inconsistent with the facts and expressed his discontent with him. This time, when Zhao Ziyang was being done away with, Wang Zhen, bearing in mind the lesson he had learned from his last experience, was no longer aggressive. It is learned that, in toppling Zhao Ziyang, political octogenarian Li Xiannian was the most active. He was the first to support the Army's maneuver into Beijing and the suppression of the rebellion. He was very enthusiastic about criticizing Zhao Ziyang and Yan Mingfu.

Deng Xiaoping's Son Deng Pufang Tours Xinjiang
OW0910210390 Urumqi XINJIANG RIBAO in Chinese
11 Sep 90 p 1

[Text] While inspecting the work being carried out in connection with disabled persons in Xinjiang, Deng Pufang, chairman of the Executive Committee of the China Disabled Persons' Federation, stressed that the development of the work dealing with disabled persons should go hand in hand with national development and social progress. He added that in promoting such work, it is necessary to be mentally prepared for a long period of hard work and to follow China's own road of promoting the cause of disabled persons.

Deng Pufang visited Xinjiang from 30 August to 8 September at the invitation of the autonomous regional people's government. During his tour, he visited Urumqi City, Turpan Prefecture, Wujiaqi, Kashi Prefecture, Changji Hui Autonomous Prefecture, and Ili Kazak Autonomous Prefecture, respectively, to inspect and give guidance to the work being carried out for disabled persons in Xinjiang. At every place he visited, Deng Pufang organized a discussion meeting with civil affairs cadres, cadres from disabled persons' federations, and disabled persons to acquaint himself with first-hand information and to solicit their opinions. He called on disabled persons at hospitals, welfare enterprises, and at their homes to extend the party and the government's regards to them. He said that among the masses, disabled persons are most unfortunate. Therefore, doing the work dealing with disabled persons well is not just a kind of social relief, but is a concrete demonstration of the superiority of the socialist system. At a meeting of civil affairs cadres and cadres from disabled persons' federations held on 9 September, he warned that the work carried out on behalf of disabled persons is an undertaking imbued with a strong social nature. A simple mistake involving policy will generally bring about political consequences. He expressed the hope that all those involved in this work will serve the disabled wholeheartedly and with love and warmth, will do their work in conjunction with party policies, and will promote their work by utilizing opportunities.

Concerned both about the happiness and hardships of the disabled persons of all nationalities in Xinjiang and about its work on behalf of disabled persons, Deng Pufang called for efforts to do good things for disabled

persons. At the same time, he also urged disabled persons to carry forward the spirit of patriotism and collectivism, to work for national development, to understand the current difficulties of the state, and to join efforts in overcoming those difficulties. He also showed great concern for the improvement of disabled persons' federations at all levels, both organizationally and ideologically. He attended the congresses of the disabled persons' federations of Kashi Prefecture and Changji Hui Autonomous Prefecture on 5 and 6 September.

Deng Pufang visited the welfare factories of Urumqi's Tianshan Machinery Plant and the Wujiaqi Small-Size Automobile Plant; Hospital No. 23 of the Xinjiang Military District; the Xinjiang Recuperation Center for Disabled Persons; and the Urumqi Children's Welfare Institute.

During his inspection tour in our region, Deng Pufang also held several meetings with party and government leaders of the autonomous region, including Wang Enmao, Song Hanlian, Tomur Dawamat, Amudun Niyaz, Jin Yunhui, and Mao Dehua, as well as responsible persons of departments concerned, to discuss matters concerning the work Xinjiang is carrying out on behalf of disabled persons.

CPC Stirs Up Anti-Taiwan Sentiments in Army

HK0910123890 Hong Kong CHENG MING in Chinese
No 156, 1 Oct 90 pp 19-20

[Article by CHENG MING Beijing-based special correspondent Kuan Yeh-cheng (7070 2814 2052): "Communist China Stirs Up Anti-Taiwan Sentiments Among Armed Forces"]

[Text] The incidents which occurred during the repatriation of two groups of illegal immigrants from Taiwan aroused the immediate attention of Deng Xiaoping, Yang Shangkun, Wang Zhen, and other supreme leaders of the CPC, soon after they were reported to Zhongnanhai. The CPC's higher-level authorities decided to use the two incidents to launch an offensive in press and media circles to severely criticize Taiwan's mainland policy.

Since the beginning of August, the CPC has started all propaganda machines to attack the Taiwan authorities for the two ocean perils in repatriating illegal mainland immigrants, making the situation in the Taiwan Strait tense again. It has been found out that the "verbal fighting" against Taiwan was initiated by Deng Xiaoping and Wang Zhen.

The Real Facts of the Accidents Have Not Yet Been Made Clear

Recently, two accidents occurred in the course of repatriating illegal mainland immigrants by the Taiwan authorities, which resulted in the death of 46 illegal immigrants. On the cause of these accidents, the CPC and the Taiwan authorities have each made their own explanations. The CPC insists that the death of 25 illegal

immigrants on board the "Minping Fishing Boat No. 5540" was a result of inhuman treatment by the Taiwan authorities and that they should also be held fully responsible for the "Minping Fishing Boat No. 5202" crash. But the Taiwan authorities refuse to accept this censure. Apart from broadcasting an "investigation report" made by a Taiwan police department, a Taiwanese radio reported on 17 September, a testimony provided by Zhou Sunfeng, a survivor of the "Minping Fishing Boat No. 5540" incident who had fled to Taiwan again after the incident, which said that the chief criminal of the incident was the master of the fishing boat rather than the Taiwan authorities.

The Anti-Taiwan Sentiment Has Its Source in the CPC's Veterans

Originally, if both sides wanted to maintain the harmonious atmosphere between the two sides of the strait and to be kind to each other, they should have sat down to exchange their views calmly in order to find out the real cause of the incidents, sum up the lessons, prevent a repeat of such incidents in the future, and comfort and compensate the bereaved families in an appropriate way. This is certainly the best way to deal with this case. However, the CPC has hastily drawn the following conclusion before the real facts about the incidents are made clear: The incident, causing the death of the illegal immigrants, was a "result of inhuman treatment by the Taiwan authorities. It has also launched a fierce attack on Taiwan's mainland policy. Toward this, some people in Beijing held that the "first attack" by XINHUA and a series of other attacks following that were launched in accordance with "instructions" from the top-level CPC leaders. On such sensitive questions concerning relations between both sides, the lower-levels would not dare "take reckless actions." Facts prove that this is true.

The Top Level Decides to Severely Criticize Taiwan

Reliable sources close to the CPC's top-level leaders said that the anti-Taiwan propaganda battle and the anti-Taiwan sentiment arising from these incidents have their source in some veteran leaders of the CPC.

Sources revealed that when the news about the incidents had spread to Zhongnanhai, it soon aroused serious attention of Deng Xiaoping, Yang Shangkun, Wang Zhen, and other senior CPC leaders. Shortly after the incidents occurred, the top-level leaders held two meetings. After listening to the reports of the Fujian Provincial CPC Committee and other departments concerned, the top level decided to make use of the two tragic incidents to launch a severe criticism and offensive on Taiwan's mainland policy in the mainland's press and media circles.

Deng Xiaoping: The Taiwan Authorities Should Be Held Fully Responsible

All propaganda machines of the CPC were started soon after receiving this instruction. On 22 August, the responsible persons of all major news units, including

RENMIN RIBAO, GUANGMING RIBAO, JIEFANG RIBAO, GONGREN RIBAO, The Central Television Station, and the Central People's Broadcasting Station, were called to a meeting. At the meeting, the Propaganda Department of the CPC Central Committee made a report on the whole course of the incidents. The CPC held that the successive occurrence of the tragic incidents was by no means an accidental phenomenon. It was a disastrous effect of the hostile mainland policy of the Taiwan authorities.

At the meeting, Xu weicheng conveyed the "instructions" of some major leaders, including Deng Xiaoping, Wang Zhen, Jiang Zemin, and Li Peng. Deng Xiaoping's "instructions" (main points) are as follows: So many people have died. The Taiwan authorities should not shirk from the responsibility. Li Teng-hui is advocating the so-called new mainland policy. It is entirely unbelievable! There is not even the slightest change in their hostile mainland policy! Most of the "instructions" made by other central leaders were also severely critical of the Taiwan authorities. They also instructed Fujian and other coastal provinces to do a good job in their management work and required the public security departments and frontier guards there to strengthen inspection at sea.

Wang Zhen Calls in Ding Guangen to Ask for an Explanation

Of the central leaders, Wang Zhen was the most anxious. Angrily, he asked his personal secretary to call in Ding Guangen and other responsible persons in charge of Taiwan affairs. Soon after they were called in, Wang Zhen criticized them: "So many people died. You must also be held responsible!" After listening to Ding Guangen's report, he said: "How many people have come from Taiwan to see their mainland relatives in recent years? Have such incidents ever happened before? As I told you long ago, we should not give in! The Kuomintang [KMT] is a deceitful party, a farting party. I have been dealing with it and fighting with it all my life. They are bent on subjugating the Communist Party!"

Xu Weicheng Said: "Quite a Few People From Taiwan Are Not Doing Anything Good"

Then, on the afternoon of 22 August, another meeting of the responsible persons of various major newspapers in the capital was held. At the meeting, Xu Weicheng instructed them to reduce reports on the visits of Taiwanese people to the mainland. He also said: "Among the people coming from Taiwan, apart from some special agents and intelligence personnel, there are also other people who do not do anything good but engage in smuggling, prostitution, and drug trafficking! In the future, it is necessary to expose and deal blows at such evil practices." "It is necessary to carefully examine our work. All those that you want to report on in newspapers should be examined by the department in charge of Taiwan affairs and the propaganda department at the same level. We should lower the temperature on our side.

If, on the contrary, we are increasing the temperature on our side while they are killing people on the other side, the people will say that the Communist Party is incapable! This is a new lesson for us!"

The Army Is Required Not To Worship and Have Blind Faith in Taiwan, Nor to Fear It

The Army's response was even quicker. In accordance with the "guidelines of the instructions" of the central leaders, all units have explained the two tragic incidents to their cadres and soldiers. After that, some squads, platoons, and companies even held meetings to denounce and criticize Taiwan. The high-level commanders required all units to make use of the two tragic incidents to "carry out a vivid ideological and political education among the cadres and soldiers, and to expose and denounce the anti-communist policy pursued by the reactionary Taiwan authorities and their criminal acts of being hostile against 1 billion people." They required cadres and soldiers to "make an overall, perfect, and systematic study of a series of policies and principles put forth by the party Central Committee on Taiwan affairs, eliminate the sentiments of worshiping, having blind faith in, and fearing Taiwan, and to be good soldiers on their posts who are always ready to answer the call of the party."

"Circular on the Enemy's Situation" Slams Li Teng-hui

Since the occurrence of the tragic incidents, the CPC has been paying close attention to what the top leaders in Taiwan are doing. The CPC military was especially sensitive toward Li Teng-hui's inspection tour to Matsui during the first 10 days of August. After that, the "Circular on the enemy's Situation," compiled by the General Office of the Central Military Commission for military leaders above the army corps level, carried a report to introduce Li's inspection. It said that Li "has stubbornly insisted on his anti-communist policy and is hostile to the people of the whole country. His so-called new mainland policy is but a new trick to stall for time so as to create 'two Chinas' in the end." The "Circular" required commanders at all levels to maintain high vigilance and be always ready to answer the call of the party and government.

The CPC Will Inevitably End Up Blundering

The "Circular" also pointed out that in the recent period, the hostile forces abroad and the KMT's intelligence organs have been trying in all possible ways to seep into the CPC's Army. "They have changed their tactics and are taking our senior commanders as their targets." It required senior commanders at all levels to maintain a cool-head under the current complicated situation. "They should report to the security department of the party committee and government department if any Taiwan compatriots or relatives have suddenly come to see them." It particularly emphasized the necessity of "strengthening ideological and political work of the aircraft crew." The Central Military Commission

required of the Air Force, that they should not allow any more planes to defect. The political and ideological work of the Air Force should be carried out effectively around this instruction.

Although the CPC has made use of the two tragic incidents to arouse anti-Taiwan sentiments, many people are still doubting, or do not believe what it has said. For this reason, the CPC has not achieved its desired results. If what Zhou Sunfeng said is true, the CPC's propaganda and political offensive will end in failure. Judging from the current developments, it is quite possible this may happen. The "Circular on the Enemy's Situation" emphasized "not allowing any more planes to defect." This shows how the Army's morale is sapped and how the top CPC leaders are seized with fear.

Peng Chong on Law Enforcement, Economic Crimes *OW1110063790*

[Editorial report] Beijing Television Service in Mandarin at 1255 GMT on 10 October broadcasts the 11-minute, second installment of the "TV Lecture Series on Building of a Clean Government and Legal System." The subtitle on the screen says the lecture is written by Peng Chong, vice chairman of the National People's Congress Standing Committee and is entitled: "The Building of a Legal System Is an Important Guarantee for a Clean Government."

From beginning to end, the video shows a medium shot of Peng Chong sitting in a sofa chair, reading the lecture from a prepared script.

Peng Chong stresses the importance of building a honest government and penalizing corruption, as well as the importance of a legal system. He enumerates the various laws and regulations adopted by the NPC Standing Committee in recent years with respect to enforcing economic discipline and combating economic crimes.

He says: "In the preceding period, however, many localities and organizations have not done their best in implementing these laws. There exist serious problems such as the failure to enforce the law strictly, substitution of fines for prison terms, replacing the law with personal instructions, and using one's authority to defy the law."

Peng Chong calls for resolutely enforcing the law, strictly punishing criminals, and urges the broad masses of cadres and people to struggle against economic crimes and corruption.

Supreme Court Issues Circular on Law Enforcement *OW1010193690 Beijing XINHUA Domestic Service* *in Chinese 1158 GMT 9 Oct 90*

[Text] Beijing, 9 Oct (XINHUA)—On 8 October, the Supreme People's Court issued a circular to higher people's courts, the People Liberation Army [PLA] military courts in provinces, autonomous regions, and municipalities throughout the country, calling on them

to further do a good job with regard to the general inspection campaign to make certain that the law and discipline are being strictly enforced.

The circular said that, in addition to doing a good job with regard to trial work, courts at all levels should treat the current general inspection campaign on law and discipline enforcement as an important job in the fourth quarter. The major goals of the current general inspection campaign include checking on the strict adherence to the law, on favoritism and nepotism, and on local protectionism in trying cases. Moreover, problems such as abusing power for personal gains, corruption, extortion, riding roughshod over the people, and other acts of violating the law and of breaching discipline by court personnel should also be checked.

The circular called on courts at all levels to pay attention to broadly soliciting opinions and to willingly accepting supervision from all walks of life during the general inspection campaign on law and discipline enforcement in addition to carrying out both in-house and mutual inspection.

The circular demanded that problems of violating the law and of breaching discipline, if discovered during the general inspection campaign, be thoroughly investigated and strictly dealt with. Persons involved in wrongdoing should be given stern punishment, there should never be a coverup, and such acts should never be tolerated. At the same time, we should pay attention to discovering advanced individuals and units, commending them greatly, and holding them up as models for emulation. The circular pointed out: We should raise the quality of court personnel and the level of law enforcement through inspection and summing up of experiences.

Lawyers' Cooperatives To Boost Prestige

*HK1010025090 Beijing CHINA DAILY in English
10 Oct 90 p 1*

[By staff reporter Chang Hong]

[Text] China is to promote the system of independently-run lawyers' cooperatives in an attempt to enhance the role of lawyers in the judicial system and boost their prestige in the eyes of the public.

A new law currently being drafted has positive stipulations regarding the cooperatives, which are "a good way to increase the number of full-time lawyers and enhance their sense of responsibility and efficiency," according to Li Bida, director of the Department of Lawyers under the Justice Ministry.

Li told a press conference that unlike their counterparts in government-run law firms, lawyers working at cooperatives were financially independent and grouped together of their own accord.

He said 84 cooperative offices with about 800 practitioners were already operating throughout the country.

Lawyers in the independent law firms were also better paid and their offices better equipped because they were responsible for their own profits and losses, Li said, adding that some clients—especially foreigners and people from Hong Kong, Macao and Taiwan—found them more trustworthy.

Lawyers' cooperatives came into being in early 1988 with the introduction of the nation's political structural reform and are still regarded as an encouraging sign in China's legal system, according to Li.

Before 1979, defendants had to represent themselves or be represented by a relative, but the use of the attorney system has grown rapidly since then and has had an increasing influence on social life.

Apart from representing clients in civil, criminal and economic lawsuits, Chinese lawyers take posts in government bodies as chamber barristers.

Nearly two thirds of government departments at county level and above have hired legal advisers, as have 120,000, industrial enterprises.

China now has 50,000 lawyers, of which 30,000 work full-time. Most full-time lawyers work in the 3,700 government-run law firms.

In a separate development, a senior lawyer has called for support to be given to lawyers whose rights have been infringed upon.

Counselor Offices Meeting Held in Zhengzhou

*HK1010085790 Zhengzhou Henan Provincial Service
in Mandarin 2300 GMT 09 Oct 90*

[Text] A national experience-exchanging meeting of Counsellor Offices was held in Zhengzhou yesterday morning. Wu Qingtong, director of the State Council Counselors Office presided over yesterday's meeting. On behalf of the Henan provincial party committee and provincial government, Hu Xiaoyun, deputy secretary of the CPC Henan Provincial Committee and vice governor, first gave a speech of congratulations on the meeting's opening.

Hu Xiaoyun said: Since the founding of our country, Counselor Offices have done a great deal of work and brought into full play their important role in many fields, such as uniting patriotic democratic personages; consolidating and developing the unified patriotic front; assisting the government in working out relevant laws and regulations; publicizing relevant laws, regulations, and policies of the government; and reflecting the opinions and suggestions of the masses, thus making important contributions to the building of democratic politics and economy, the undertaking of opening up, and our country's reunification cause.

In his speech, Wu Shouquan, head of the provincial party committee United Front Work Department, extended congratulations on the meeting's opening on his department's behalf.

Huo Ming, secretary general of the provincial government, made a speech with regard to implementing the State Council's circular on the Counselor Offices work and the future plan of the Henan provincial government's Counselor Office.

On behalf of the provincial government Counselor Office, Director (Yang Shangwu) delivered at the meeting an experience-exchanging report entitled "Conscientiously Implement the Circular of the State Council and Vigorously Participate in Government and Political Affairs."

The national experience-exchanging meeting of Counsellor Offices continued yesterday afternoon. The Counsellor Offices of Shanghai Municipal Government, Yunan Province, and Chengdu City of Sichuan Province passed on their experiences at the meeting.

Science & Technology

First Manned Airship Developed, Shown to Public

OW0910182690 Beijing XINHUA in English
1626 GMT 9 Oct 90

[Text] Beijing, October 9 (XINHUA)—China has developed its first manned airship.

The helium gas-filled FK-4 airship, which had its virgin flight two months ago, successfully conducted its first public demonstration on the outskirts of Beijing this morning.

The airship is a product of the Hua Hong Airship Development Group under the Ministry of Aerospace. The group previously succeeded in building an unmanned remote-controlled airship.

Experts said that the major technical aspects of the airship, such as the leakage rate of the helium gas, have reached the level of the advanced international fourth generation of airships.

The FK-4 airship, with a volume of 2,000 cu m, can fly at a maximum height of 1,800 m and at a maximum speed of 73 kph. It can undertake a continuous 11-hour flight with a load of 300 kg.

The airship will be useful for such endeavors as aerial photography and advertising, the experts said.

Autonomous Regions Install Satellite Stations

OW0910131190 Beijing XINHUA in English
1245 GMT 9 Oct 90

[Text] Beijing, October 9 (XINHUA)—The backward telecommunications situation in minority areas has been

changed with the installation of satellite ground stations in 14 cities in the Tibet, Xinjiang and Inner Mongolia Autonomous Regions.

As a result, the areas now have swift access to telephone, telegraph, and radio and TV broadcasting services, the "PEOPLE'S DAILY" reported today.

Since September 13, when Lhasa, capital of Tibet, opened automatic domestic and international telephone services, all Chinese cities serving as provincial and autonomous regional capitals have access to domestic and international telephone communications via direct dialing.

A 180 km optical fiber cable linking Urumqi and Turpan cities in Xinjiang also went into operation the same month. It is the first of its kind built in a minority area and cost 10 million yuan.

Meanwhile, the construction of the Hohhot-Baotou optical fiber cable in Inner Mongolia is well under way; the system is expected to be put into use next year.

New Science Law Planned To Boost Technology

HK1110022290 Beijing CHINA DAILY in English
11 Oct 90 p 1

[By staff reporter Li Zhuoyan]

[Text] China is drafting a new science and technology law to ensure the momentum of research and development, spurred on by recent reforms in the country.

According to Ma Zuoshu, an official from the State Science and Technology Commission's Department of Policy and Legislative, the proposed Law for Scientific and Technological Progress would affirm in legal form the State's policy and strategy in developing the country's science and technology and its successful experience of reforming the country's scientific and technological structures.

This law, to be the basic law governing the country's scientific and technological development, is intended to help build a legal environment and a social order favorable for scientific and technological development," Ma pointed out.

The law, he said, would define the management, planning, funding, research and development structures of the country's science and technology development, and establish measures for promoting China's scientific and technological progress.

Proposed by 172 members at the third session of the Seventh National People's Congress, the law is being drafted by the commission and some departments concerned and is expected to be finished by the end of this year.

"Existing laws and regulations still fall short of the need of technological developments sparked by recent science advances," Ma said.

One recent achievement is the establishment of a "technology market," which provides commercial research and development, technology transfers, and consultant services.

Last year, technology contracts for these items totalled over 8 billion yuan, as compared to only 700 million yuan in 1984.

Another achievement is the reform in the funding system for scientific research.

There are over 6,700 scientific research institutes at or above county level in China, in addition to more than 10,000 such institutes attached to universities and colleges—while the number of scientists and technicians has exceeded 10 million, and is increasing by 10 percent each year.

"The State funding for science and technology is far from enough to bring this force into full play," Ma said.

He said China's research and development (R&D) input only accounted for 0.89 percent of its Gross National Product (GNP), as compared with an average of 2 percent in the developed countries.

"A higher R&D investment should be stipulated in this law to ensure more rapid development of science and technology," Ma stressed.

Meanwhile, besides State funds, other sources including bank loans, enterprise funding and foreign investment should also be taken into account in increasing the national investment in science and technology, according to the proposed draft law.

The Bank of China has this year begun to make science and technology loans to research organs. They are expected to reach a total of 2.5 billion yuan before the end of this year.

However, the key in boosting the country's scientific and technological development, Ma pointed out, was to turn its scientific research results into practical results which in turn would generate more revenue to support scientific and technological institutions.

Military

Article Views Army's Political Construction

HK0710083890 Beijing JIEFANGJUN BAO in Chinese
20 Sep 90 p 3

[Article by Zhou Chuantong (0719 0278 4827): "The Requirement of Being Politically Qualified Should Be Carried Out to the Letter"]

[Text] Since the suppression of the counterrevolutionary rebellion in Beijing last year, strengthening political construction and ensuring that the troops will always be politically up to standard has become the fundamental task in our Army's political construction. To fulfill this

fundamental task we must guard against the tendency of shouting empty slogans instead of making solid efforts, and should actually meet the requirement of ensuring the troops' political qualification.

To ensure that the troops are politically up to standard, we must set different concrete requirements for the personnel at different levels and in different conditions. Everything in the world can be divided into different levels. This is also the case for the Army's political construction. Ensuring that the Armed Forces will always be politically up to standard is the party's general and principled requirement for the Army's political construction, along with being the general objective. Actually, to meet this general requirement and achieve this general objective, we must still concretely analyze the general requirement and the general objective and put forward specific requirements and objectives for different people at different levels. For example, the senior and middle-level cadres in our Army are shouldering the important duty of leading the construction of the troops, so their political and ideological integrity, theoretical attainments, and style of work will have a direct bearing on various aspects of the construction of the Armed Forces. Therefore, stricter requirements and higher standards should be set for them. The senior and middle-level cadres should not only be required to have a high degree of political firmness, sensitivity, and sense of principles in order to maintain a clear-cut attitude and firm position when facing political storms and to consciously keep a high degree of uniformity with the party central leadership. They should also set a good example with their own deeds for the troops in fulfilling the tasks without regard to personal danger and bravely defending the highest interests of the party and the people. So they must be required to study Marxist theory more carefully in order to continuously enhance their theoretical level and decisionmaking capacity. In any circumstances, they must be firm in following the party's leadership and upholding the conviction of socialism and communism, always maintain a firm and correct political orientation, always keep their revolutionary fighting will high, and always be qualified commanders who can be trusted by the party and the people.

As for grass-roots cadres and soldiers, the standards and requirements should be more relevant to their specific duties and practice. Concretely speaking, people at this level should mainly be required to study seriously Marxism-Leninism-Mao Zedong Thought, love the party and socialism, pay attention to major domestic and international events, abide by discipline, obey orders, and keep their minds on active military service. This does not mean that we should lower the standards or loosen the requirements for them. Instead, the political requirements for personnel at different levels and in different categories should be more feasible and concrete. This may more easily achieve results in ensuring the political qualification of the personnel in different categories than the practice of using the same yardstick, model, and standards for all people indiscriminately.

To ensure that the troops are politically up to standard, we must continue to add new requirements and contents to the political qualification in light of the central task of the party, the state, and the Army in different periods. As the fundamental task in our Army's political construction, political qualification is the goal that we should pursue for a long time. With the continual changes in the situation and the tasks, the contents of the political qualification and the yardstick for measuring the qualification will certainly develop and change accordingly. When turmoil and the counterrevolutionary rebellion occurred in Beijing last year, the party's requirement for our officers and men was to step forward bravely, resolutely carry out the instructions of the party central leadership and the Central Military Commission, smash the counterrevolutionary revolt, and not hesitate to sacrifice their lives in order to defend the party's leadership and the socialist system. After the rebellion was quelled, the Central Military Commission and the General Political Department further required that our Army's political construction be strengthened with stress being laid on education in upholding the four cardinal principles and opposing bourgeois liberalization so as to guarantee the party's absolute leadership over the Army. At the same time, the Army construction in all other fields should also be properly conducted in order to raise the troops' combat effectiveness. This is the basic requirement and task in ensuring that our Army is politically up to standard under the new situation. At present, we are facing the struggle against the corrosive influence of the bourgeoisie in the ideological field. In these circumstances, whether we can effectively resist the infiltration and corrosive influence of the bourgeois ideology and win the victory in this "smokeless" war through further strengthening our Army's political construction will be a major yardstick to judge whether our Army is politically up to standard.

To ensure that the troops are politically up to standard, aside from conducting regular ideological and political education among the troops, it is also necessary to formulate corresponding rules and regulations for guaranteeing the political quality of the troops. The rules and regulations should be something fundamental and should govern the overall situation. The successful experience in ensuring that the troops are politically up to standard should be summarized turned into rules and regulations so that cadres and soldiers can follow these in order to carry out supervision and inspection according to policies. This will effectively ensure that the political requirements are actually satisfied. For example, maintaining the party's absolute leadership over the Armed Forces is a reliable guarantee to ensure that the troops are politically up to standard. In order to achieve this purpose, we must maintain all the established fundamental systems, such as the system of concentrating the highest leading and commanding power of the Armed Forces in the hands of the party Central Committee and the Central Military Commission, the organizational principle of democratic centralism, the leader responsibility system based on the division of work under the

unified leadership of the party committee, the political commissar system and the political department system, and the system of establishing party branches in all combat companies. It is necessary to select, promote, and train cadres strictly according to the principles of both political integrity and professional ability in order to ensure that the Armed Forces are being led by reliable people. So an entire set of systems for training, assessing, selecting, and appointing cadres should be perfected. At present, in order to resist effectively the corrosive influence of the bourgeois ideology, we should not only carry out anticorruption education among cadres and soldiers, but should also improve all management and supervision systems, resolutely block all channels through which spiritual drugs may flow into the troops, and adopt correspondingly perfect systems and measures for controlling the journalistic, publishing, literary and art, and other ideological departments inside the Armed Forces. Grassroots units should build their clubs for soldiers well according to the requirements of the "Program for Grassroots Construction in the Armed Forces," perfect various rules and regulations related to cultural affairs, carry out healthy and good cultural and sports activities, and provide more healthy mental food for the troops. Only thus can we consolidate the proletarian ideological and cultural position, effectively resist the corrosive influence of the bourgeois ideology, and ensure that the task of maintaining the troops' political quality be fulfilled in the ideological and cultural field.

Artillery Corps Begin Position Management System

HK1010090990 Beijing JIEFANGJUN BAO in Chinese
27 Sep 90 p 2

[Report by Chen Zhengzhong (7115 2973 0022) and Xu Kai (1776 0418): "Second Artillery Corps Succeeds in Developing Automatic Position Management System"]

[Text] The automatic position management system developed by a Second Artillery Corps unit passed a ministerial-level technological test the other day and won the second prize of the Scientific and Technological Progress Award. Specialists hold that this new development indicates that the popular use of experience in the Second Artillery Corps' position management has been transformed into the popular use of science.

This system adopts many advanced techniques, such as a multilayer division of labor with individual management, photoelectric counting, infrared detection, automatic cut-off and change of video frequencies, as well as output-controlled scanning and "renovating" [shu chu kong zhi sao miao "shua xin" (6551 0427 2253 0455 2217 2249 "0456 2450")]; and possesses many functions including trustworthy self-protection and safety-guard functions. Under normal operations, this system can bring about a two-thirds decrease in the density of labor and it is not only safe and trustworthy, but can also strengthen the troops' rapid-reaction ability.

Economic & Agricultural

State Council Planning Group on Economic Policy

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[Article by the Eighth Five-Year Planning Study Group, Development Research Center, State Council; edited by Lu Wen (7120 2429): "Principle, Channel, and Policy of Economic Development in the Eighth Five-Year Plan"]

[Text] Preface

The decade between the Eighth and Ninth Five-Year Plans is historically the most important time for economic development and reform in our country. During these 10 years, we have to "quadruple our incomes"—a strategic target set by the party Central Committee—and raise living standards to a comfortable level. During these 10 years, we have to implement a sweeping and profound reform. We need to establish a new system of socialist planned commodity economy and provide a foundation for continual and steady economic growth in our country.

Because the eighth five-year period is the preparatory time for the 10-year development project, it is a special and important historical period. The party's basic line at the Third Plenary Session of the 11th CPC Central Committee should be our guideline. We plan for 10 years and focus on five years. We define the principle, mission, and policy of the Eighth Five-Year Plan, a plan that will help our country develop and reform.

I. The Basic Principle of the Eighth Five-Year Plan

(1) *We work hard to accomplish our major task of rectification and reorganization. We then go into the transition period with further and deeper reform, and aim at creating a steady, continual, and coordinated economic development*

There are several ways to set the tasks of the Eighth Five-Year Plan. The first way during these five years is to shift the focus of our work towards development and reform as soon as we manage to suppress inflation, which is the main purpose of rectification and reorganization. The second way is to recognize that the task of rectification and reorganization is still difficult and should be continued all through the five-year period. The third opinion is that the task of rectification and reorganization can be reasonably accomplished on schedule and that it should be connected and coordinated with development and reform. That would help us implement an overall and deeper reform, and help us pursue a steady, continual, and coordinated economic development. We agree with the third way of thinking.

If we want to have a steady, continual, and coordinated development of the economy, we have to rectify and reorganize. We should differentiate between the short-term goal of rectification and reorganization and the long-term goal of development. We must also separate

the function of rectification and reorganization from that of the regular adjustment of macro-economics. We should focus all our energy on finding an effective measure to dissolve the conflict between high demand but low supply in our society. Our preliminary objectives are to ease inflation through rectification within a scheduled period, create a steady economic environment for development and reform, and provide the conditions for a steady, continual, and coordinated development of the national economy.

The Eighth Five-Year Plan plays an important role in the general strategy of our national economy. The plan requires us to define realistically the objectives of our economic development. We should not make rash or premature decisions, nor should we stay idle. During these five years, we must not miss any opportunities, and we must develop as well as maintain stability. In order to eradicate all the factors that may cause unstable economic development, we need to have a more general and deeper reform. During rectification and reorganization, it is absolutely necessary to use certain administrative methods so that inflation can be suppressed. Although we have already accomplished a lot, we have not yet finished our work of rectification and reorganization. But we should not continue to use special administrative measures as the regular means of control, because they should only be used for the purpose of rectification and reorganization. After rectification and reorganization our economic development should be steady, continual, and harmonious. This is the basis for our economic reform. On this solid and improved foundation we should proceed with a more penetrating plan of reform and thereby promote development.

(2) *The core of the task is to improve economic benefits. We should start with frugal and effective utilization of resources. We will improve the structure of products and industries, improve technology, and build a good foundation for the steady, continual, and coordinated development to the national economy.*

As to the format of economic development during the next five years, there are two kinds of opinions. The first one is that we should speed up our economic growth because the party Central Committee has said that our economy is to "quadruple" and to take off during the 90's. The other view holds that economic benefits have started to decline because during the last 10 years we had rapid economic growth without making effective changes in the structures of products and industries, or improving the overall technical standards. In other words, the first 10 years of economic development did not fulfill our strategic demand, which is to make preparation for the economic take-off of the next 10 years. Therefore, economic development during the Eighth Five-Year Plan should emphasize structural changes, technical improvement, and the increasing of general economic benefits. Our economic development should pave the road for a steady, continual, and coordinated economic development in the Ninth Five-Year Plan,

maybe even into the next half century. We think the second opinion is more appropriate.

During the eighth five-years, there should be substantial progress in technology. This is an important issue and it should have the support of the government. But there is another equally urgent matter. That is, we must have a force that will propel the reform of the enterprises and technology in our country. The government should not give our enterprises unnecessary protection, nor should the government interfere inappropriately. There should be more competition among the enterprises. Competition will force them to absorb new technology and create new products.

Improving our industrial structure is a long-term, difficult mission. On the one hand, we have to reinforce the structuring of our basic industries such as agriculture, energy, transportation, and raw materials. On the other hand, we should work on cultivating other leading industries, gradually turning them into a pillar that supports our national economy. During the eighth five-year period we must do better in selecting and making plans for these leading industries.

During these five years we should gear towards frugal and effective usage of our resources and to the increase of economic profits. We have limited national resources. In the past we used up a lot of our resources in exchange for higher economic growth. We cannot continue to do this any more. To save our natural resources we need to make structural changes of our products, improve and reform technology, cut down the amount of single-use consumption of energy and raw materials, and above all, raise the quality of our products.

(3) We must hold on to the core of the matter—price reform. We plan to have an overall reform. By following national guidance and policy, we shall work on improving a united market system, set up a macro-control system and microeconomic mechanism, and conceive a basic framework for a planned commodity economy in a new socialist system.

There are several ideas on how to reform the economic system during these five years. First of all, some people think that the problems of our economy during the last few years were due to the absence of strong macro-control. Therefore, the plan for these five years is to strengthen the macro-control system, making, above all, for more planning and centralization. The second group of people are of the opinion that the key to the whole reform is to establish a market system. Only through the regulating function of the market system can we solve all the present economic difficulties. The third type of thinking is that the Eighth Five-Year Plan should continue to focus on the improvement of micro-mechanisms, using the contract system of enterprises as a core on which to proceed with our economic reform. The fourth kind holds that the key to economic reform is price reform. We should have a coordinated plan and system to reform pricing, taxation, finances, banking,

foreign trade, enterprises, and wages. And we should establish a social security system. This will accelerate the build-up of a planned and guided market system, strengthen the macro-regulating system, and improve the micro-mechanism. We recommend the third idea.

At present our price system is warped; many economic relations are abnormal, and enterprises do not follow rules. This makes it difficult for our market system to grow healthily. This also makes it difficult to have a deeper reform of the micro-mechanism, and we have to depend on taking more administrative measures for macro-regulation. The fact is, if the pricing system remains unchanged, we will have difficulty achieving other reforms. During the eighth five-years, we should work hard and implement and coordinate overall price reform—the core of our economic reform. This will benefit the establishment of a standard and united market system, and the development of a vital and normalized enterprise system. This will also help us establish a standardized macro-regulating system, a system that will include all the economic, legal, and administrative measures, combine and coordinate all policies concerning finance, taxation, banking, and foreign trade.

(4) We should make appropriate changes in our strategy for foreign economic development so as to make us more adaptable to new situations. We should uphold the basic principle of the open policy even in new situations, working hard to expand our international trade, to invite international cooperation, to promote economic development, and to improve technology in our country.

The development of our foreign economic relations is, to a great extent, intimately connected with the international environment. It also depends on the relations between our nation and the developed nations. We must try to improve the international environment, actively create good conditions, and be more open to the outside. We should also be prepared to deal with western countries economic sanctions against us, and overcome and eliminate the obstacles arising from these sanctions. This will help us continue the open policy normally. Therefore we should work hard to improve the economic, technological, and trade relations with the developed countries, and at the same time make a great effort to expand and develop economic exchanges with the countries in peripheral areas. Thus our country will have a higher status in the world economic sphere and a better chance to deal with emergencies. We hope that the amount of foreign trade during the next five-year period will be slightly higher than the growth of GDP and that there will be a net increase in foreign investment.

We need to expand our open policy, because we want to elevate the standard of national economic benefits and science and technology, and because we need to make good use of international markets and resources. We should encourage qualified manufacturing enterprises to participate directly in international competition. This participation can help us improve the quality and the

grades of our goods, expand the area of trade, and improve the trade structure. At the same time we should increase our foreign currency earnings from other sources. For instance, we should work hard to promote tourism and export more of our labor and technical skills. In order to improve the standard of our technology and equipment, and to become more up-to-date, we should import more advanced technology and equipment from foreign countries. During the eighth five-years, we will be more efficient in deciding what to import. We should not import the same item over and over again, nor should we import low-quality equipment. We need to do a better job in digesting and absorbing imported technology, and in organizing and coordinating our new ideas. We must spend our foreign currency more effectively and balance our international budget. When we accept foreign investment, we must think about our ability to pay both our present and our anticipated debts, and our ability to provide funds and supply materials. We must decide on the how big our foreign debt will be, how we will use the money, and how we will repay it. We should work hard to make the best out of foreign investment.

We will continue with the plan of developing the coastal economy. The open cities along the coast and the Special Economic Zones should serve as the showcase and the foundation of our open policy, and as a stimulant to inland areas. As we gradually become more open to the countries surrounding us, we need to strengthen the economic relations between the coastal cities and the interior. Doing this will prove the superiority of the whole economic system in our country.

The task of economic development and reform during the period of the Eighth Five-Year Plan will be difficult. Whether it is establishing the framework for the new system, changing the industrial structure, or increasing economic benefits, the work will not be easy; it will take a long time. We have to understand that because our task is both formidable and complex, we need to set a definite goal to determine the scope of development and reform. We should be prudent when implementing development policies and reform. We also have to understand that this is an urgent task, and we must not miss our chance. If we develop our economy and implement reform as soon as possible, our national economy will be back onto the track of steady, continual, and coordinated development.

II. The End and the Means of Economic Development During the Eighth Five-Year Period

The eighth five-year period is important and historical. It is also a period of economic development in our country. Our target for growth—"quadrupling our income"—means that we have to maintain a suitable economic growth rate. Our goal is to have modernized economic development and to raise the general quality of our economy. To develop our economy in the eighth five-year period, we must pay attention to the following:

(1) It is important to have coordinated and steady

economic development and to raise economic benefits; (2) we must follow the policy of accumulation and make our investment more effective; (3) we should pay more attention to the development and use of human resources; (4) we should stress technological progress; and (5) we must continue to be open to the outside and find the way to stimulate economic development.

(1) The basic pattern of economic growth

1. The growth of the overall economy

How do we calculate the rate of economic growth for these five years? The party Central Committee determines the strategic goals and the principles of economic development. Based on that decision and based on the amount of funds invested, the development and application of human and material resources, technological progress, and the development of "bottle-neck" sectors, we can estimate the possible growth rate. If the rate is overestimated, we will end up chasing after the rate and ignoring the fact that economic benefits have not been increased. We will then have difficulties accomplishing our other goal, which is to raise the quality of the overall economy. If the rate is under estimated, there will be a big gap between this estimate and the real growth rate, and economic planning will not be as useful as it should be.

Maintaining steady economic growth during the five years is an issue that deserves special attention. Judging from our experiences in the past, the economy will improve after the adjustment period. The problem is that this economic "warm-up" can always get out of control, and we would fall into the same trap of "over-heated adjustment." After two years of rectification and reorganization, the growth rate has slowed down, and the conflicts are less threatening. There is again the potential for growth. We can expect the rate to start to go up at the beginning of the eighth five-year period, and we will reach the "prosperous" stage in the middle of this period. We need to prevent our economy from being "over-heated" again at the last stage of the five-year period. Hence we must work hard to establish a macro-regulating system. We should be regularly and effectively adjusting our economic activities so that the economy can maintain a relatively stable growth rate during the five years.

2. Rural economic development

During the eight and ninth five-year periods, we will continue to expand our reform in the rural areas. We will maintain and improve the household responsibility system of linking remuneration to output. At the same time we have to find out how to have a cooperative management system that will link several villages together. Meanwhile, the base of rural economic development is still agriculture. We need to coordinate agricultural development and pay attention to grain production. We also should stress the importance of and helps the rural labor force to get non-agricultural jobs. In order to guarantee a healthy growth of township enterprises,

we need policies to provide guidance and legal rules to help with the administrative work. This will remain important in rural economic development in the eighth five-years.

The reform of farm land and technological input are the crucial factors to the increase of grain production. Government offices at all levels are responsible for promoting agricultural technology. They are also responsible for the maintainance of the agricultural infrastructure. Meanwhile, we should compare our conditions with the international situation. We need to find out whether we can trade cotton for grain and design an adequate plan for grain imports.

3. Industrial growth and its structural changes.

During these five years, there will be different types of industrial growth and changes:

(1) The basic industries such as energy and raw materials will have a relatively high growth rate. This will solve parts of the "bottle-neck" problem of supply and demand in the industrial departments. The growth rate of processing industries has begun to slow down, and because the government has poured more funds into the basic industries, we expect the "bottle-neck" conditions in industrial departments will improve during the early and later stages of the Eighth Five-Year Plan. If the economy does not over heat during the last part of the planning period, conditions will continue to improve. We must point out that saving resources is as important as developing them. More often than not, we waste our resources. If we do not improve this situation in our country, we will never solve this "bottle-neck" problem.

(2) The establishment and development of dominant industries show that industrial structures are being upgraded.

During the next five years, we should select and cultivate some dominant industries and establish a basis to upgrade the industrial structure. When we strengthen our basic industries, we should make sure that we are not overdoing it by giving them too much preferential treatment. We should also try to give the processing industries a good start. It may be necessary to conduct serious research to analyze the development and the conditions of the heavy equipment manufacturing, electronic, heavy chemical, household appliance manufacturing, and automobile industries. This analysis can help us make a long-term developmental plan for these industries. It can also help us find a rigorous and scientific way to oversee technological imports, large-scale business, and the general framework of production. Thus, the standard of our industries will improve faster, and industrial growth will be more normal. Our industrial structure will become more rational and eventually be up-graded.

(3) The growth of rural industries will still be greater than that of all other industries put together. And these rural

industries will have begun to concentrate on certain areas and have the tendency to combine with urban industries.

Rural industries start with a lower amount of funds but mobilize more human resources. Rural industries will maintain being relatively superior for a long while. As they become more developed, they will become more specialized. Later they will be absorbed into the system of industrial specialization and cooperation. As a result, rural industry will become an important complement to urban industry, and there will be more cooperation between the two.

(4) Advanced technology that can be applied to our country will be given priority for development so that we can gradually build up a variety of technological structures.

The low quality of our economic development and the ever growing pressure to employ more people are the main reasons why we should establish a multi-level technological structure. We will consider and accept any advanced technology that is suitable to our national conditions. To develop high-tech industry we must combine high technology with other applicable skills. Once we establish a small number of high-tech industries, we can change and improve the technological standards of both the urban and township industries.

4. The development of construction, transportation, and service industries.

(1) The low quality of the construction industry, particularly the construction of residential housing, affects the living standards and the quality of life in townships. We should study the housing issue and make out a plan for building houses that are suitable for a "moderate standard of living." We should also find a solution to the housing assignment system. From there we can speed up the development of the construction industry and gradually make it one of the dominant industries of our national economic development.

(2) Transportation is the weakest component of our economy. We should work hard to raise more funds and build a general transportation system that is adequate for our national situation. The system will expand both inward and outward, and satisfy continually growth industrial and residential needs. This is an effective way to mobilize our economy. As for raising funds it is important to have government investment. However, government investment alone will not be enough to solve all problems. We need to have efficient fund-raising organizations to locate available funds in our society for construction projects, especially for building highways. These fundraising organizations may be able to accomplish this goal much earlier, more efficiently, and on a much larger scale.

(3) Our service industry has been relatively stagnant for a long time. This is because each enterprise has established its own self-serving system. There is no social

cooperation nor work delegation. We should start to reform by changing the system. We need to change the phenomena of "large and all-inclusive, small but all-inconclusive" industries as well as cases where "enterprises turn into a society." The retail of manufactured goods should be a service open to society. This will enable the service industries to expand in the five-year period and help increase the economic benefits of the enterprises.

(2). The Issue of Accumulation in Economic Development

The general pattern of income division has been changing since we began reform. The proportion of individual income in the national income has been rising. But the increase of individual incomes does not equal the growth of consumption. The amount of savings has increased, which means a large part of individual incomes will eventually be turned into investment, or accumulated funds. The change in the income pattern means that there is a different type of investment; it does not mean that the rate of accumulation has gone down. In fact, since 1985 the rate of accumulation has been above 34%. However, we blundered regarding the policy of income distribution, and thus the structure of consumption was severely warped. As a result, a small number of manufactured goods were swept up as if by a "tidal wave" and a small group of people became "super-consumers," although the overall standard of consumption was not high. The solution to this problem is to correct the deviation in the policy of income distribution. We should correct the distribution ratio among the nation, groups, and individuals, and solve the problem of unfair income distribution. We should set up a rational consumption policy and structure.

Generally speaking, the national rate of accumulation is too high. We should lower the proportion of floating funds in the total amount of accumulation and the proportion of non-industrial incomes in the accumulation of fixed capital. We should keep the accumulation rate to around 30%, increase the benefits from investment, and utilize the accumulated funds more effectively.

1. The structure and source of investment

As the investment system changes, the government will reduce the amount of total, fixed-capital investment in the nation each year. The main source for capital-investment funds will come from sources other than from the budget. Under these conditions, it will be impractical to think that we can totally rely on government funds to cope with the shortages due to the stagnant growth of the capital construction industry, or to deal with the serious supply-and-demand problem largely due to the expanding process industries. What we should do is to study what role the government, enterprises, and banks play in the function of investment, so that the different investment bodies can be effective and thus increase the amount of overall benefits.

The central or regional government should concentrate their investment funds in building up the infrastructure and investing in large projects such as railway and transportation. The government invests in construction projects, either directly or indirectly, by giving low interest-rate loans. We will gradually reduce the amount of investment in the general industries of energy, raw materials, and manufacturing. A rational pricing system will strengthen their ability to accumulate funds.

Right now we have problems with investment funds from other sources, mainly because the scope of our investment is not economical and its structure is irrational. All the regions invest in the same type of projects, and there is no coordination among the enterprises. This results in a reduction in macro- and microeconomic benefits. Besides having a warped pricing system and defective contract systems, the lack of a flexible and effective fund market also contributes to this reduction in benefits. If we follow the guidelines of reform policy and central planning, we can set up a framework and establish a system that will enable us to obtain money from the fund market, and make correct and effective investment.

During the Eighth Five-Year Plan, we need to readjust the structure of individual finances and assets, and open more channels for individual investment. This will enable citizens to spend a portion of their usable income which can become a stable source for construction funds. For a developing country like ours, which is short of funds, foreign investment is important because it will help us to accumulate funds. But we must not extend ourselves beyond proper limits, and we must make rational judgments and use these funds wisely.

2. What should we invest in and what should be the benefits of investment?

When we adjust the investment structure during these five years, we should focus on several areas: First, we should readjust the economic signals so that when an investor decides when and how to invest, his decision will coincide with the macroeconomic benefit. Second, the national macro-plan should provide more guidelines for making investments. The plan is to make up for the defects of the market and to provide investors with a larger view. Third, we should establish and control various channels of information so that accurate information can be provided. Fourth, we should strengthen the control over investment, making sure that the policies are made scientifically. We must work hard so that non-economic factors will have as little influence on policy making as possible. Fifth, at present we should be stricter in approving new construction projects; no project should be approved if it does not have detailed planning beforehand. This way we can concentrate our funds and energy on the construction of important projects.

3. Rejuvenation and utilization of assets

The present structure of asset accumulation is not adequate and the standards of technology are low. In these five years we must accelerate the depreciation of our fixed assets and move faster in technological reform. We have to break the boundaries set up by individual regions, departments, and the ownership system. We need to encourage all enterprises to reorganize. We can set up different economic scales for different industries and enterprises and raise the economic benefits. We need to be more efficient in spending the capital funds we have. Moreover, we must eliminate those enterprises that have a surplus of productive forces, backward technology, and low economic benefits.

(3) The Development and Utilization of Human Resources

The population problem is one important factor that will constantly dictate the outcome of the economic development in our nation. During the eighth five-year period we must work harder to control our population growth and to improve the quality of our race. At the same time we emphasize that we must make good use of our human resources, and we must make an effort to eliminate the negative impact coming from an overly-large population.

Developing and utilizing human resources means more than solving employment problems for the new work force every year. The "hidden unemployment" problem that is common in cities and rural areas is a more pressing problem that requires solution.

A high employment rate, together with economic growth, fair distribution, and stable prices, are designated as the objectives of development. Therefore, the employment problem is not something that our government will ignore. We should include the solution of the employment problem in our five-year plan and in our long-term strategy for social and economic development. Here we give some suggestions:

1. We need to look at the relationship between efficiency and other problems from a dialectical point of view. It is time to reevaluate the policy of "low efficiency but high employment." Our objective should not be just "full employment," ignoring efficiency. We need to create "basic employment," which produces more efficiency but also allow unemployment. Efficiency will help improve economic development, hence creating more jobs. The economy will then go through a benevolent cycle of "efficiency—development—employment."

2. We should pay attention to industries that are labor intensive and make use of our enormous work force. The problem of insufficient funds will stay with us for a long time. For the same amount of funds, labor-intensive industries can employ a larger labor force. In the past we did not understand the relation between advanced and practical technology, nor the cost of using "low interest-rate" funds. We were more inclined to fund industries that require a large amount of capital. For a long time we built a "wall" surrounding towns and villages. This reduced the pressure of employment in the cities, but at

the same time led to high investment in the urban industries. To solve the employment problem, we must first work hard to create more jobs, and let the collective and individual economic sectors and tertiary industry absorb more labor force. Secondly, it is important for us to understand that there is a shortage of funds and that charges should reflect this fact. We should stop allocating our funds for a minimal charge only. What we would like to do is to absorb the large work force with only a small amount of funds.

3. We need a good strategy for industrialization and urbanization in order to solve the problem of surplus labor in the countryside. The development of township enterprises plays an important role in the industrialization of our country. However, we have to provide more guidance to control and to encourage their development. Township enterprises can be the greatest "absorbent" of surplus labor in rural areas. As for urbanization, we need to improve the infrastructure and the living conditions of small- and medium-size towns. These small- and medium-size towns can then be the centers for township enterprises, and the place where the surplus labor from rural areas can gather.

4. We need to set up a social security system soon and change our personnel system. The key to changing our personnel system is to establish a social security system that covers the whole society, a system that includes unemployment benefits, retirement insurance, and medical insurance. This system will be good for workers' mobility and the marketing of the labor force.

5. It is important to invest in manpower and improve the quality of the labor force. Experiences from other countries show us that investing in manpower is a long lasting yet profitable project. All government offices should take the long view and work on investing more in education and in improving and quality of our workers.

(4) Technological Improvement in Economic Development

Science and technology and enormous forces that mobilize productivity and contemporary economic growth. If we want a profitable economy in five years, we must find an efficient way to promote technological progress. To encourage technological and economic growth we need to create new industries using new technology. We select advanced technological skills that will transform traditional industries. There are several issues that deserve our attention, and for which we must look for solutions during the coming five years.

1. We need to have mechanisms to mobilize technological progress. Basically, the force behind technological progress is the pressure of competition in international and domestic markets, no pressure, no initiative. With this viewpoint in mind and with the reform of economic and technological systems, we can set up a system that will encourage competition among the enterprises. This is the key to a solution.

2. We need to cultivate and improve the technology market. The technology market is a place where we can exchange technological know-how and where we can apply what we know. Many of our scientific research projects are high caliber work. The main problem is that there is a gap between basic-science research and applied science, between technology and the economy. This is due to the fact that science research institutes and universities have little communication with the enterprises, and many research results cannot be transformed into productivity early enough.

3. We should increase our input into scientific research. As compared to developed nations, our country invests very little in scientific research. And the method of our involvement in research is far from ideal. Judging from the sources of input, most come from the government and only a few from enterprises. Judging from the distribution of the research results, there is too much emphasis on sophisticated, academic research but not enough on practical technology. We should not expect the government to invest more in scientific research in the next five years. We should encourage enterprises to have more direct input into science research and give more money to research and development. The application of the technological research will increase the income of research institutes. Scientific research and industrial production will have a mutually beneficial effect on each other.

4. We should work hard to take advantage of foreign advanced technology and promote our national economic development. This is an important component of our open policy, and we should uphold, develop, and improve this part of the policy. We need to take effective measures to prevent importing items that are of low quality or that have been imported over and over again, we also should work hard to digest and absorb imported technology and to be innovative.

5. We need to strengthen our macro-management of technological progress. The planning for science and technology development in the next five years should combine long-term and short-term goals, and include both sophisticated and practical research development. We need to establish and protect intellectual property rights, improve the patent system, and set up and implement industrial standards.

(5) Openness and Development

"Openness to the outside," the basis of our national policy, has helped us achieve great success in the last decade. In the next five years we will gain more by further expanding our foreign trade and by participating in more international exchanges. Also, we will take part in international competition because through competition we can raise the level of our technology and become more creative.

1. The scope of our trade

During the eighth five-year period, and for a long time afterward, there will be a shortage of foreign currency. It is essential to our economic development that we expand our exports. Right now we may have some difficulty in exporting because certain western countries are employing sanctions against our nation, and because our government has difficulty in giving financial help to our export industries. But we must also consider some positive factors. First, our processing industries have surpluses of labor and equipment; workers are sitting idle and equipment is being wasted. During the next five years, these enterprises have to shape up because they have to pay attention to the international market. Second, recently many township enterprises have sprung up on the coast. These towns have taken advantage of their low labor costs and have been quite successful in increasing their exports. They are a new force that contributes to the earning of foreign currency. Third, the quality of our textiles, especially silk and garments have continued to improve, and these light industries have made a reputation for themselves. Electronic and machinery exports have also picked up, and there is potential growth in these industries. In short, it is necessary and possible to expand our exports. What we need to do is to fight for better trade conditions so that we may expand our foreign trade.

2. The composition of our trade

The composition of our trade, especially that of export goods, has changed a lot during the last decade. We export more manufactured products and less unfinished goods. But our manufactured products are still of lower quality, and the surplus value is low. The results do not match the enormous scale of our processing industry. Thus, if we readjust the structure of our manufactured products, we can expand our exports. During the next five years we should first increase our export of electronic goods and machinery, keep up with the export of light textiles, and gradually reduce the export of natural resources or scarce agricultural by-products. Not only do we need to export more of our best products, we also need to increase the export of small commodities. Our manufacturing industries should understand the characteristics of the international market, where there is a demand for a variety of products. We must follow the trends and changes that happen in international and regional markets and readjust the structure of our export trade. We should export more manufactured products that require a concentration of labor and technical skills. As for importing goods, we must not accept low-quality goods, goods that have been imported over and over again, or some types of consumer commodities. For our machine industry we should import sophisticated equipment. We should digest and absorb the technology and later create our own. We hope to replace some of the imported items with ones we make ourselves. If we want to change our trade structure, we must solve the following problems: First, we must destroy the barriers among regions, departments, and enterprises, encouraging instead mutual, professional cooperation. All

regions, departments, and enterprises should unite together to deal with outsiders as one. Second, we must encourage industrial enterprises to meet the challenge of the international market directly by participating in international competition. These enterprises can eventually set up their own foreign trade system. They will be responsible for their gains and losses. They may have their own trade representatives and set up an open trade system, combining trade with industry. Third, the government should draw up an overall strategy for trade development. With a rational policy and proper guidance, we will be able to upgrade the trade structure. Fourth, we must improve our macro-management and strengthen trade law.

3. Market expansion

In the next five years we will be faced with a new international economic situation. While we maintain and develop our trade relations with the USA, Japan, and West Germany, we need to spread our in others directions and expand our trade relations with Hong Kong, Macao, Taiwan, countries and regions in Southeast Asia, the USSR, East Europe, and other surrounding countries. We should develop the market in Latin America and the Middle East. This will give us more flexibility in the area of foreign trade. The economies of Hong Kong, Macao, and Taiwan interwine with the economic development on the mainland. We need to take effective measures to stabilize and develop the economies of Hong Kong and Macao, to help them maintain their status in international trade. This should be the foundation on which the mainland builds trade relations with Hong Kong and Macao. We will work hard to eliminate the political obstacles between the mainland and Taiwan, and we will be flexible in setting up trade relations between us. Lately the economy in a few countries and regions in East Asia and Southeast Asia has picked up. These countries could become our potential markets. It would be ideal if we developed trade relations with them because geographically we are close to each other, therefore the costs will not be so great. Although the political situation in the USSR and Eastern Europe has changed a great deal, it is still possible to expand our trade with them because our relationship is based on barter trade.

4. The utilization of foreign investment

When we use foreign investment during the next five years, we must pay attention to several factors. First, to decide on how much debt we should carry, we must examine our ability at present and in the foreseeable future to earn foreign currency, the conditions and the sources of foreign funds, and the availability of domestic funds. We will weigh all these factors and make a balanced judgment on the scale of borrowing. There are many ways to use foreign debt. We encourage foreign businessmen to invest directly in industrial areas. In particular we should attract investment funds from Taiwan. We should seek more Japanese investment and

seek loans that are given on favorable terms from international organizations. Second, we should spend most of these foreign funds on importing technology, upgrading the industrial structure, and raising the standard of our technology. We should not waste foreign currency resources on importing items that are of a low standard, nor should we spend money on importing the same products over and over again. Third, we should be more dynamic when giving advice on how to use foreign funds. Foreign loans are for building infrastructure and capital construction. This is vital to the livelihood and development of our country, and by achieving this we will enable our country to pursue economic development. Fourth, we need to work hard to improve the investment environment and upgrade the laws and regulations concerning foreign investment.

(6) The Problem of Regional Differences in Economic Development

Since our nation implemented reform and the open policy, the standard of our overall economic development has been higher, but the gap among the regions has also widened. How do we deal with this problem in the next five years? There are three viewpoints. The first holds that we should narrow the gap, the second that we should just let it happen, and the third that we should stop the gap from widening any more. We agree with the third viewpoint.

In the last ten years the format of development in our country has been the unbalanced growth of regions, with the scale of growth favoring the coastline. The rate of economic growth in the eastern coastal region stands above the rest of the country. In comparison with the whole nation, the average income and the consumer standards on the coast are also higher. We should also notice that in recent years the growth rate and the proportion of national fixed capital investment on the eastern coast are way above the proportion and growth rate in the central and western regions. It is possible that there will be a further widening of the gap. During the next five years, or during the rest of this century, if we do not take any effective measures to stop this trend, it will no doubt put a dent in the balanced development of our national economy. It is possible that this will fuel the conflicts among ethnic groups and regions, and become a destabilizing factor.

For the time being, it would seem to be more efficient to have a trapezoidal pattern of development; it would be better for improving the macro-benefits in the national economy, and better for lowering the risk capital needed for economic development. The recent problem of regional differences is a developmental problem that can be solved during the process of development. We need to prevent the regions from growing further apart. But we do not need to artificially suppress the economic growth on the east coast, where the level of development is high, nor should we unnaturally raise the rate of economic growth in the backward areas. What we need to do is to correct the defects in our system and eliminate any

irrational preferential treatment in our policy. This way the economic development in the coastal cities can spread its influence into the hinterland, and help coordinate other regional development.

From the eighth five-years to the ninth five-years, the overall strategy of economic development in the coastal areas cannot be changed, but the pattern of the incline and the dynamics of the policy have to be adjusted. We need to combine the developmental policy for the neutral regions with developmental policy for chosen industries. There are several things we can do. First, we can have a long-term plan for land development and set up a shorter plan for plausible regional development. This way both the developed regions and backward areas can see the future and the direction of their development. Second, step by step we must establish a better market system and readjust the pricing system. We should take advantage of the rich resources in the backward areas to attract an influx of funds, talents, and technology into the undeveloped areas. This will help the developed areas project more of their impact into the undeveloped regions. Third, our development plan is to help the undeveloped regions build up their infrastructure, such as railways and transportation. This will lay the foundation for more development later on; "blood donation" becomes "blood creation." This policy of domestic cooperation and openness to the outside will make the backward regions more attractive and will help these regions develop their potential. Fourth, we have to help the backward areas improve education, train more talent, and raise the cultural standards of the people. Fifth, these regions should recognize their resources and set up industrial organizations that can put local resources and technology to work.

III. Policy and Planning for Reform Overing the Eighth Five-Year Plan

If we wish to accomplish economic development in the Eighth Five-Year Plan period and be prepared for an economic take-off in the next century, our reform must go further and cover every facet. We should set up a framework for the new system of a socialist, planned, commodity economy. This is a difficult but meaningful task. We have not yet solved the old conflicts in our economy, and new ones keep coming up. We have, for a long time, had a twisted price system, an unbalanced economic structure, and diminishing profits. Moreover, in the last two years different regions set up their own barriers, the market was cut up, and the government was unable to macro-regulate. All these are obstacles to coordinated economic development and make it more difficult for us to accomplish reform. No single measure or procedure can effectively solve these problems. What we should do is to locate the core of the problems, tackle the essentials, and implement a whole set of reform procedures.

The key to the success of the whole economic reform is price reform. If we do not adjust the warped price system, we will not have enterprises that can assume

self-management, accept responsibility for profits and losses, create their own opportunities, or be willing to take any risk. And thus we will not have a market that is based on fair competition, nor can we set up a normalized and sensitive macro-regulating system. Rectification and reorganization have created ripe conditions for tackling the issue of price reform. We should not miss this opportunity to implement the reform of prices, taxation, finance, banking, enterprises, wages, and the planning system. Step by step we will establish an integrated socialist market, a strong macro-regulating system, and a self-adjusted and rigorous micro-economic system.

(1) Price Reform

The concept of price reform can be explained as follows:

1. The combination of "control, adjustment, and release"

Whether we are releasing price controls or adjusting prices, we should consciously follow and utilize the law of pricing. The prices of the products or services from the departments of basic industry, such as railway passenger tickets, water, electricity, postal and telecommunication services, should be strictly controlled by the government. However, we need to change the prices soon because the charges for these products or services are generally too low. It will still be difficult for the departments of basic industry to obtain supplies in the near future; the result will be price monopoly. We should adjust prices by allowing a suitable amount of profits to be added to the costs.

For major agricultural products such as grain, cotton, and oil, the procurement prices are regulated by comparing prices with other similar products. There should be a system of price evaluation. For the time being we should only make small adjustments in the prices of agricultural products. There should be a "joint operation" of adjusting the general price standards for industrial products and for the agricultural means of production.

The prices of energy and raw materials such as petroleum, coal, steel, nonferrous metal, and chemical products will, for the time being, have to be under the control of both the planned and floating pricing system. The price increases of these kinds of products should by and large reflect the conditions of supply and demand in the market. As for the products that have already varied their prices according to market conditions, we should not attempt to switch them back to planned pricing. We should heed supply and demand conditions, and release our control over products that are now under price control.

If for a certain product the supply and demand of the means of production are quite balanced and if supply is not a problem, then we should release the price controls. In the last year or two as a measure to suppress inflation, the prices of some consumer products were again put

under restriction. Now is the time to release these controls, especially for products that residents only need to spend a small portion of their income onto buy. If the cost of the item is a major expense item for the residents, such as grain, oil, certain by-products, rent, and fuel, the way to adjust the prices should be by changing concealed price subsidies into open subsidies.

2. The selection of procedures and the timing of reform

Price reform can be divided into three stages. The first stage: "combining control and readjustment, mainly control with some readjustment." The second stage: "combining control, readjustment, and loosening, more readjusting and some loosening up." The third stage: "combining readjustment and loosening, more loosening up."

The price reform this year and next year will be implemented at the beginning stage of the plan. It is still necessary to have price controls, but we should make plans to readjust the prices of basic industrial products as soon as possible. We will continue to implement the tightening policy, reduce the social conflict of supply and demand, and prepare to proceed to the second stage of price reform within five years. The second stage emphasizes price readjustment. We will try to adjust the prices of basic industrial products, make the prices of major agricultural products more compatible, and gradually convert concealed subsidies into open subsidies. As for loosening price controls, we should plan our action and proceed slowly. Except for the prices of our daily necessities, the prices of all other products should not be fixed; let the law of supply and demand take care of the pricing. The second stage of price reform is a more difficult task and will take much longer. We hope to proceed to the third stage in the Ninth Five-Year Plan period. This is when we will eventually free up the prices of the industrial means of production, such as energy and raw materials.

3. The measures of reform

If we want to follow through on the plan mentioned above, general prices will soar. In this critical situation we have to figure out how to prevent the vicious circle of price hikes.

1. We should continue to execute the tight-credit policy. We must implement strict control over the lending of fixed assets and circulating funds, and at the same time preserve the amount of the bank savings of our citizens by offering good interest rates. We can control the general level of demand as long as this does not make it difficult to obtain supplies. This way the momentum of price hikes will eventually slow down.

2. Our financial policy is to tighten the budget, mainly in the area of capital-construction investment and administrative expenditures. The subsidies given to citizens will concentrate on the consumer commodities that are

essential in daily life. The amount of subsidy will be enough to maintain the present living standard of our low-income citizens.

3. We need to be more vigilant in supervising the financial situation of enterprises and in collecting tax. We need to make sure that the earnings from price increases will not disappear or be dispersed. Enterprises are not allowed to give away these earnings as bonuses.

4. When we implement wage and price reform, we must prevent the spiral of wage and price increases from happening. After price increases, we should wait a while before we let our wages go up. This is to reduce the negative impact of price increases that raises wages too high.

(2) The Establishment and Improvement of the Market System

If we want to have an effective market that follows the guidelines of central planning, we must establish and improve the present market system. The new market system has to be able to mobilize production and distribute resources efficiently. Market competition will force enterprises to become more productive and efficient.

We must conduct a detailed study of all the problems that appear in our economic activities, to find out the causes of these problems. Are they the result of defects of the market system, or from poor management, or both? If it is the first reason, then we must improve the macro-regulating system and solve the problem by implementing planned readjustments. The second situation—poor management—can be corrected by improving market management. We must deal with the problems concerning product quality, meager resources, economic scale, technological progress, and human resources. We also have to look at the vitality and the norms of enterprises. It is important to improve our market system, to establish an effective and competitive market. If the root of all these problems is due to the poor management and defects of the market, we need to improve both the macro-regulating system and the market system. Through these systems we can look for solutions to the problems of regional trade barriers, unbalanced structure, and unstable economic growth.

Central planning is essential and effective when deciding on the national strategy of development. However, because there are so many problems affecting our present economy, it is difficult to solve these problems by depending only on central planning. Planning should serve as a guideline. At the same time we should allow the market to function as a regulator. This may be a better way to solve our problems.

1. Commodity market

Our commodity market has grown quite fast, and has more or less established itself since the reform policy was implemented. However, the commodity market is also

haunted by unrealistic pricing, unstandardized enterprise behavior, low stamina, trade barriers, and the baseness of rules. We need to take action and implement an overall reform. The key to this reform is price reform. Through price reform, the problems of difficult economic relations will be smoothed out, and enterprises will be competing in a fair environment. We should not ignore legal work either. We must finish writing up our "company law," "exchange market law," and "anti-trust law" soon. There will be rules for enterprises and the market, and the rules will make them more efficient and more competitive.

2. Fund market

Setting up and perfecting a fund market is vital to our economy because the market determines whether we have allocated our scarce industrial resources rationally. At present our fund market is very small and the system of fund collection and distribution is underused.

In order for the fund market to grow, we must first straighten out all sorts of problems: How to untwist the pricing system, how to allocate fixed-interest loans, and how to determine who owns the assets of the enterprises. Meanwhile, we need markets for trading stocks and bonds, for foreign currency exchange, and for nongovernmental loans. There are various problems in the present fund market, and we must solve them by strengthening the macro-control and administration of the market. We should have stricter control over the organizations that deal in nongovernmental loans. We have to check in detail their background and business; only those qualified can be given permission to operate. The reason why we should have a foreign currency exchange market is that we need to break down the market barriers set up by the different regions, and we need to unify the exchange rate. As for stocks and bonds, we should strengthen our control by passing laws such as the "bond law," "stock control ordinance," and "control of national assets ordinance." This will enable us to trade stocks and bonds properly.

3. Labor market

Our labor market is still at the seedling stage, and compared with the growth of the commodity market, is very backward. The process of labor-market development involves a series of reforms, including changing the systems of land utilization, of labor and personnel, of household registration, of social security, and of housing assignments. This also involves the government's macro-policy on the mobility of surplus labor from rural areas. We should work hard to push for these reforms and to develop the labor market in our country.

4. Technology market

For the past few years, our technology market has grown a lot. But because it started out late, the size of the operation is still small. Our domestic technology market has one major problem: There is a lack of coordination between the supply and demand of technological

research. This problem can be solved if we reform the scientific research system and clear the channels for information exchange. The government has an active role to play in establishing information channels. But we must not forget nongovernmental channels and the various media, and we should focus more on how to make researchers take more initiative.

(3) The Reform of Enterprises

The purpose of the reform of enterprises is to make the whole economy run more efficiently. To transform the micro-mechanism of enterprises, we must revitalize enterprises and set up a standard for business conduct.

1. Standardizing the business conduct of our enterprises

The major problems in the micro-mechanism at this moment are the lack of vitality and the absence of rules. If enterprises do not have rules to follow, it will be difficult for them to react to the macro-policy quickly and effectively. This greatly reduces the effectiveness of our macro-regulating policy, and also confuses the economic order and lowers the overall benefits.

One way to regulate business conduct is to improve the external economic environment. Our enterprises receive two signals all the time: The economic signal, and the control signal from the administrative departments. Because the economic signal is distorted, the result is an unjust distribution of profits and abnormal business behavior. The result of administrative control is that enterprises sacrifice efficiency in order to fulfill requirements. We improve the external environment of enterprises by readjusting our economic signals so that they can provide proper guidance and rules. Also, the administrative departments should not hinder the enterprises, and government offices and departments-in-charge should not interfere with the management of enterprises. Moreover, we must not allow any organizations to ask enterprises for unreasonable donations or payments.

2. The vitality of enterprises

Revitalizing on a national scale, medium-and large-size enterprises is an important and difficult task. During the next five years we ought to think of the following issues: (1) our principle is economic efficiency. We must encourage enterprises to join together, to form coalitions, and to become specialized in individual fields. The formation of business conglomerates will destroy local and departmental economic separatism. Economic patterns will be established, the market will be integrated, and economic benefits will increase. (2) We must encourage nationally-owned, large-size enterprises to compete with the nationally-owned, medium size enterprises. In fact we encourage all nationally-owned enterprises to compete with other type of enterprises. Competition will revitalize these nationally-owned enterprises and strengthen their important role in the national economy.

As for the smaller enterprises that are nationally-owned or collectively-owned, and the township enterprises, their reform policy can be more flexible. The different measures of reform may include property rental, contract work, crosswise combination, shareholding, annexing, and reorganization. These measures should improve the efficiency of small enterprises.

We need to work harder to try out the system of shareholding and may even expand trial runs whenever the conditions are ripe for it. There should be rules to take care of any risk factors and to control enterprises.

3. The contract system of enterprises

The contract system of enterprises is a product of reform, and it plays a positive role in revitalizing enterprises. Because the system is derived from the agricultural sector, it does not fit in too well in the urban economy of modernized and large-scale industries. It is necessary and possible to improve the contract system so that it can continue to function for the time being. We must realize that the contract system alone cannot solve the root of the economic problem. This system encourages the enterprise to look for short-term objectives. In the long run, this will harm economic development. We should never underestimate the negative impact of the contract system.

We should work hard to create a desirable environment for contracting out nationally-owned large- and medium-size industries in the next five years. In order to succeed we must figure out how to divide the profits between the government and enterprises and how to control these enterprises. The first half of the problem can be solved by tax reform. Enterprises must pay taxes before they repay their loans or before their contracts are leased out. There should be a standardized way to divide profits between the government and the enterprises. There should be no bargaining, a procedure that has had negative influence on the relations between the government and enterprises. As for keeping an eye on the large- and medium-size enterprises, we can try setting up a board of trustees, with the government holding the majority of shares. The nationally-owned, small enterprises can be leased, jointly owned by shares, or contracted out. This way the public ownership system of enterprises will be maintained. At the same time the government can be relieved of day-to-day management duties and can concentrate on long-term planning or dealing with important administrative problems instead. This will increase the vitality of the enterprises and help set the guidelines for business conduct.

(4) The Strengthening and Improvement of the Macro-Regulation and Control System

To strengthen the government's ability to macro-regulate and control does not mean retrenching all power, nor does it mean returning to the traditional method of administrative control. After a decade of reform, economic decision making power has been some what decentralized, and the old way of controlling the

economy by means of administrative methods is not so effective any more. We need to explore and find some way to make macro-regulation and control fit into the economic system that has changed over the years of reform. However we must maintain our ability to regulate and control while we are looking for solutions.

We must establish and improve the government's macro-regulation and control system. The system will safeguard a stable and coordinated economic development, increase the efficiency of resource distribution, and suppress inflation. It will also guide the enterprises to the right developmental course of development, and work for the long-term benefits of national economic development.

1. "The management of supplies" in the macro-regulation and control system

We need to establish a macro-regulation system that emphasizes indirect regulation but in fact can regulate both directly and indirectly. We will have rules and flexibility and will implement adequate and effective control of general demands in the society. In this respect, support from the financial and banking sectors is vital to us.

Increasing the "two proportions" of finance is important because the central government will have more power to regulate and control. But more important is that we can locate the cause of financial imbalance and correct mistakes. Only then can we take initiatives and be free to regulate the general level of demand by using tax policy and budget policy.

The Central Bank will continue to regulate the scale of loans by strictly controlling the total amounts available. Eventually the bank will regulate the scale of loans through a credit system. Before, the bank often implemented irregular but large-scale adjustments. Now the situation should be reversed; adjustments will be more regular but on a smaller scale. That is to say, by adjusting the interest rate of re-lending and that of reserve funds we can control the lending activities of special banks and thereby achieve the goal of regulating the demands of society.

2. The policy of preferential treatment in the macro-regulation and control system

One of the important aspects of macro-regulation and control is the implementation of preferential treatment. This policy is mainly for guiding and influencing regional governments, departments-in-charge, and enterprises, so that they may work together for the development of the national economy.

There are two different kinds of preferential policies. One is used for correcting distorted economic relations, and the other is to make up for defects of the market and to implement national development strategy.

Due to the fact that the market mechanism in our present economy is imperfect, economic relations are

distorted. It is still necessary to readjust these relations by means of preferential policies. For instance, when we readjust the distribution of benefits, we have to take into account the distorted pricing system; therefore, the same type of industries or enterprises may be allowed to have different tax rates. The exchange rate and interest rate can remain fixed, but the subsidy policy will give the enterprises special deals in obtaining foreign exchange or loans. However, this kind of policy which "fights favoritism with favoritism" can only be applied in a limited dosage, and we cannot take it as a permanent measure of macro-regulation and control.

The second kind of preferential policy is a necessary and important part of the macro-regulation and control system. This includes a preferential investment policy for basic industries, especially in capital construction, and in policies to attract foreign investment. We will support advantaged industries that may be risky but have potential. We are partial to investing in education and technology. And we have a foreign trade policy that encourages exports and maintains certain types of imports. However, we would like to point out that we prefer to take economic measures rather than to implement the second kind of preferential treatment policy.

3. The direct control method of macro-regulation and control

We need to exercise direct control not only during rectification and reorganization but also during normal economic development. The key is how to make direct control more scientific and more efficient. We must pay attention to the reform of the planning and management system, to improve predictability, and make the system more scientific.

4. The legal method of macro-regulation and control

Legal means play an important role. We have to combine legislation and law enforcement with economic and administrative measures if we want to establish a new order of socialist commodity economy or if we want to tackle regional barriers, monopoly by enterprises, economic standards, saving of resources, environmental pollution, and counterfeiting.

(5) Financial Policy

Our present financial problems can be summarized as follows: First, the financial contract system smothers our government's finances, particularly the financing of the central government. The system diminishes the value of taxation and contributes to an irrational allocation of incomes. This is one of the reasons why the "two proportions" continue to decline. It also weakens the macro-regulation and control system of government finance considerably. Second, the central government and the regional government have not cooperated with each other and divided their financial power and responsibility in a rational fashion. The result is that the system emphasizes the profit mechanism of the regional government without providing any guidelines or techniques for

control. This causes difficulties in structural readjustment and reduces macro-economic benefits. Third, because we carry the enormous burden of subsidies and have to pay for the expenses from capital construction, even if we try to transform the size and structure of the financial budget, there is very little room for us to maneuver. It is very difficult to lower or eliminate deficits. If we want to be extricated from this predicament during the next five years, we have to deepen the reform of the financial system.

To reform the financial system, we must improve the macro-regulation and control system. We have to rearrange the economic relations between the central and regional governments, between the nation and enterprises. Step by step we can set up a standard financial system that can provide macro-regulation and control, and arouse the spirit of cooperation between the government and enterprises. The core of this reform is the tax system. We should divide the financial power and responsibilities between the central and regional governments properly, and establish a new budget system.

The reform of the tax system should go hand in hand with the reform of the pricing system. The goal is to provide proper guidance for economic behavior, formulate a rational pattern for income distribution, make the economic structure more efficient, and guarantee a steady growth of revenue. The principle of tax reform is to simplify the tax categories, expand the tax base. We should charge fairly and make it easy for everyone to pay. Transfer tax and income tax are the major categories for taxation. A tax-collection system will be set up to determine how central and regional governments can divide revenues rationally.

We need to set up a central tax system and regional tax system. Tax categories such as value-added tax, customs, and special-consumption tax can be considered central tax categories. Users' tax, adjustment tax, and taxes for urban maintenance and construction belong to regional tax categories. Income tax, resource tax, and capital tax are shared revenues, and the ratio of sharing between the central and regional government should be defined properly. When deciding how the central and regional government may divide the revenues, we should not ignore regional needs. There should be regulations clearly defining when and how the revenues will be shared. Once the rule on how to divide the larger revenues is made up, provincial governments cannot change it through bargaining and negotiations. When we calculate tax rates and the ratio of revenue allotment, the ratio of the national revenue to the GNP should be raised two percent, and the ratio of central government finances to total revenues should be raised five percent. In order for tax reform to succeed we must establish a mechanism that can safeguard the growth in revenues and nominal national incomes, and set up a permanent procedure for the central and regional governments to divide up the revenues. The tax system must be improved so that economic activities can be regulated. Moreover, we need to have tax laws and detailed rules that can define tax

collection and tax exemptions. This is to prevent any unauthorized tax exemptions.

After establishing the new system of revenue sharing, we should define the financial responsibility between the central and regional governments. The central government will only fulfill its defined duties and will not take care of any ordinary construction projects. It will concentrate its investment funds on the major construction of infrastructure in the nation. Regional governments should also focus their funds in building up the infrastructure in their regions, and cut down on the amount of investment in industrial production. As we set up the new tax system, we should also eliminate the industrial contract system. Professional investment companies appointed by the government should take over the job of finding funds to pay for capital construction in the rail, coal, and petroleum industries. The earnings from price increases in these industries can be used as investment funds.

We must implement tax reform and increase the "two proportions," and at the same time should try to cut down on the amount of subsidies. The problem of subsidies originates from the pricing problem and the problem of lax budget control on the part of enterprises. If we can solve these two problems, we can solve the subsidy problem. To cover the losses in industries such as petroleum and coal, losses incurred because of bad policies, the prices of these products must be raised gradually. The format of giving subsidies to township and residents should also be changed. We need a social security system to help us define income levels so that we can subsidize our citizens accordingly, and insure low income citizens that they will be getting help. By reforming the present foreign trade system, we should be able to cut down losses in foreign trade slowly. If the loss is incurred because of mismanagement, depending on the situation, we may have to merge the enterprises or combine businesses and improve the management style.

The essence of financial policy in the next five years will be retrenchment, and the effort will be to eliminate the deficit. As for development, investment will be focused on technology, education, and infrastructure. The budgets prepared by the central and regional governments should include a detailed plan for development. At the same time, we have to exercise stringent control over expenditure in administrative affairs and be more effective in withholding increases. In order to reform the budget system, we need a solid budget law to enable the central and regional governments to have separate budgets for their regular administrative expenses and developmental expenses. For regular expenditures, governments can only spend what their budgets allow them; there should not be any deficit. To make up the deficit incurred by project development, we can only offset the expenditures by issuing bonds and not by overdrawing bank accounts.

(6) Monetary Policy

The financial institutions in our country have developed tremendously during the decade of reform, and the development has had a positive impact on our economy. However, there are serious defects in our financial system, defects that have damaged the economic development which otherwise would have been normal and stable. At the time when our economy was growing, the financial system did nothing to restrict the enterprises from expanding too much. Instead, the banking system worsened the situation by making it easier to get loans, hence the economy overheated. Then, during the tight-credit period, the banks suddenly became rigid in approving loans. This damaged normal industrial production and suppressed the growth of supply unnecessarily. The monetary policy of the Eighth Five-Year Plan has to coordinate with price reform, control and administer the financial system, and continue to tighten the monetary supply. We should take this opportunity to transform the financial system, and this change will enable us to develop and stabilize our economy.

1. Monetary retrenchment policy

When the economy is unstable, we need to tighten our finances, and it is necessary to exercise monetary control. For instance, we need to restrict the sizes of nominal loans, raise the rate of reserve funds, appropriate loans selectively, and provide more supervision and control over financial organizations that are not banks. During the next five years, we will reform the pricing system by planning carefully and following proper procedures. We will emphasize that financial policy must be coordinated with other reform. With the help of the monetary retrenchment policy, we should be able to restrict the overall amount of loans, control the total amount of demand, and prevent the recycling of cost inflation.

When monetary retrenchment policy is implemented, when we make decisions on the scale of the nominal loans, we will make sure that normal economic activities will not be interrupted. That is to say, when we decide on the size of nominal loans for next year, we should take into account what will be needed for suitable economic growth and what will be the cost of anticipated inflation. Anticipated inflation does not mean the continuation of the consumer price increases of last year. Rather, it is the scheduled price increases after all the anti-inflation measures are taken; the major part of this increase will be the prices of the industrial means of production.

2. The interest-rate policy and the format for loan appropriation

Even when the monetary retrenchment policy is being implemented, it is not a contradictory measure to let interest rates float to a certain extent and to restrict the sizes of loans at the same time. This is in fact necessary in the process of financial reform.

The floating interest rate will reflect the amount of available funds. Even as we try to tackle the inflation problem, it is possible to change the interest rates for savings and loans, provided we can restrict the size of

loans. This measure has proven effective in controlling the total demand of society. Nevertheless, our national conditions demand that if we let the interest rate float, we need to take into account the availability of funds and the profit rate of enterprise funds. This is to make sure that interest policy can control the total demand of funds and keep industrial production going.

Even though the pricing system is distorted and the monetary situation is tight, it is still necessary to make arrangements for certain industries to obtain low-interest loans. These are so-called "policy loans." However, it would be better to change the conditions of the loan by offering government subsidies on the interest rate. The banking and loan system cannot be restructured if there are many types of interest rates. Also, this is not good for financial reform. We may allow the interest rate to float gradually, and let this become the major format for loan appropriation in the ninth five-year period.

3. The bank's decision making power

The Central Bank is authorized by the government to carry out the responsibility of implementing monetary policy and providing stringent supervision over the financial situation. Under this prerequisite, the Bank should be given more decision-making power so that it can be better equipped to play an intermediary role in the financial world.

Other specialized banks should be under the reign of the Central Bank. Besides tightening administrative control, the Central Bank may restrict the sizes of loans given by specialized banks through relending and other credit readjustment measures. Other than "policy loans," specialized banks should be allowed to make decisions on the appropriation of commercial loans.

4. The development of non-banking financial system

From the general viewpoint of long-term development, the expansion of other kinds of financial system should be encouraged. The development of a non-banking system provides more channels for transferring savings. This can also restrain the banks from monopolizing the system after they gain more power. At present our banks provide a single channel for transferring savings. We should gradually establish various fund markets where both banking and non-banking organizations can participate.

(7) Foreign Trade Policy

Our foreign trade contract system demands that individual provinces carve out their shares in foreign trade. Regional governments are inspired to take more initiatives in foreign trade because the contract system offers them foreign trade subsidies, and if the regions earn foreign currency, they may keep part of the earnings. This system has helped our nation achieve some success despite the international situation. However, it has also created a few problems. First, some provinces and cities

are better equipped than the others in pursuing foreign trades. The result of this is unfair competition and regional barriers. Second, the central finance office has given these regions large packages of subsidized funds for foreign trade, without changing the system that induces localities to depend on subsidies. The central bank is still expected to pay for any large and unscheduled amount of debt, and the central financial system is pressured to keep the subsidized funds flowing. Third, regional governments and the newly-established foreign trade companies have been given the administrative power, yet no industrial enterprise is given any decision making power. Besides, no one has taken any solid measures to control trade organizations, thus the situation has become unruly. The direct and indirect influences of these problems have negative impact on the readjustment and expansion of trade organizations. The overall benefit of foreign trade has therefore decreased.

When we try to transform the trade system and design a trade policy for the next five years, we will focus on raising overall profits. We should gradually transform the trade structure and make our export trade more compatible. We should expand the mechanism that will stimulate trade and stabilize the situation. We need to build up our enterprises so that they can cope with the international market. They will be responsible for their own gains and losses. Business will be open to everyone and industries will be combined with trade. There should be trade representatives. Exchange rates, customs duties, and tax refunds will be the regulating lever. The foreign trade system will be responsible for issuing permits and establishing quotas.

1. The principle part and structure of trade

Industrial enterprises should be directly involved in the international market. We should therefore let well-equipped industrial enterprises manage their foreign trade independently. For industrial enterprises that are not qualified to do so, we should set up an office whereby they can engage trade representatives to help them make trade connections. For resource commodities or commodities that can virtually monopolize the market, we have to control their trade by means of directives and plans. These will be managed by state-level trading companies. All their losses and profits will be calculated, and most of the foreign currency earnings will be given back to the central government. The trading of other consumer products will be executed according to directives and the principle of market adjustment. All regional barriers are to be destroyed and all trade opened. We need domestic competition, too. All foreign currency earnings will be calculated, divided accordingly, and shared by the central government, regional governments, and enterprises. Except for the machinery and electronics industries, all other industries can follow the quota standards of light industry, the handicraft industry, and the textile industry, and thus find out what proportion of profits they get to keep. There should only be one format for appropriating the earnings. We

should readjust the exchange rates properly, revitalize the foreign exchange market, and eliminate all export subsidies.

2. The way to regulate and control foreign trade

The new trade system regulates trade by means of exchange rates, tax refunds, and customs duties. This policy is designed mainly for larger commodities. Exchange rates are the key element, a major force regulating foreign trade and economic benefits. The criterion for exchange rates is determined by whether the rate can help balance international payments, encourage exports, restrict imports, and increase foreign currency earnings from non-trade sectors. We want to make sure that 80% of export manufacturers can make a profit after tax refunds. From time to time we need to adjust domestic prices to match conditions in the international market. Enterprises and regional governments can use their foreign currency reserves for import, or trade them in the foreign-currency exchange market. To determine how to apportion foreign-currency income, we must first calculate how much the central government will need in order to pay back foreign debts, how much will be needed for importing necessary commodities, and how much the enterprises should earn from the profits made by exporting their goods. We need a general plan that can cover every sector, that can satisfy the needs of the State, regional governments, and enterprises.

There are two types of imports. One type is included in central planning and should be imported by one organization only. If, after adding up the international market prices, customs duty, and exchange rate, the cost of the imported item is higher than the domestic market price, the government can subsidize the cost accordingly. The amount of the subsidy is determined by how the imported item is used. If the imported item is to be used in a capital construction project, the enterprise will not receive a subsidy. Instead, it should increase its budget for the project. If the item is to be used in planned production, then the government will subsidize the cost temporarily. But the amount of the subsidy should decrease as the price reform proceeds. As for importing other types of merchandise, the organizations have to pay for whatever they order; there will be no subsidy. If these organizations are short of foreign currency, they should buy at the exchange market. To regulate and control what is being imported, we will depend on the charging of customs duties. To implement our national industrial policy we have to have tariffs as the mechanism to restrict imports and to prevent speculation. At the same time we need to be strict in collecting customs duties, put an end to unauthorized tax reductions, and make sure that entry through customs is not just a formality.

With the carrying out of tax reform we should try to eliminate the use of quotas and permits, and simplify the procedures for granting permits. To export products that are monopolistic in our country, the State can appoint a company to be the sole exporter. If the amount of

products exported is limited by the quota set by the international market, the State may follow the principle of open competition and give the permit to the highest bidder.

The reform of the foreign currency management system must go together with the reform of the foreign trade system. We may issue foreign currency certificates and expand the exchange market. We should break up regional boundaries and aim at forming a national, foreign-currency exchange market as an ultimate goal.

3. The financial support for foreign trade

During the next five years, our credit policy is to tighten up domestically but loosen up outside. We should help foreign trade through financial support. The People's Bank should follow the designated plan and allocate the fixed amounts of loans to the appointed organizations. Because export trade demands larger amounts of capital and takes longer to circulate funds, the State may consider giving foreign trade subsidized interest rates.

(Comrades Xue Muqiao, Ma Hong, Sun Shangqing, Wu Mingyu, and Li Boxi gave a lot of good advice concerning this article. Comrade Sun Shangqing checked the details and made corrections. Xie Fudan and Li Peiyu did the actual writing.)

'Newsletter' Stresses Successful Price Control

HK1010094190 Beijing RENMIN RIBAO in Chinese
6 Oct 90 pp 1, 4

["Newsletter" by Dai Guanlai (2071 0385 0171) and Ban Mingli (3803 2494 7787): "The Breakthrough in Stabilizing the Economic Situation—Our Country Wins Success in Price Control During Improvement and Rectification"]

[Text] Two years ago apparent inflation appeared in our country's economic life and the market prices, that once tended toward a vertical rise, seriously affected economic stability. The general level of retail prices in that year rose an average of 18.5 percent and exceeded the highest level recorded since 1950. Panic purchasing emerged repeatedly and people were shrouded in deep worries.

However, we brought prices under control in only one year and successfully kept the range of price increases in 1989 lower than that in 1988. The market prices tended to be stable and people were dazzled by the endless array of commodities placed on the shelves in large and small shops. Since the beginning of this year, more marked achievements have been scored in price control and the general level of retail prices throughout the country in this period has seen a rise of less than three percent over the same period last year.

In a complicated and difficult situation, sharply increasing prices can be brought under control in a short time, which shows that our socialist system can stand the test of storm and the party and government have the

ability to control the economic situation. Moreover, the party and government's vigorous control of prices once again vividly shows that they wholeheartedly serve the people and have always put the people's interests above everything else.

We can control price increases because the party Central Committee and State Council have correctly analyzed where the crux lies in economic operation and adopted correct measures. The large increase in the retail prices of commodities in 1988 was not caused in one year. As the total demand was greater than the total supply year by year from 1984, we were eager to push forward pricing structure reform in the "overheated" economy, resulting in the eruption of contradictions accumulated in many aspects. The party Central Committee and State Council promptly forwarded the policy of improving the economic environment, rectifying the economic order, and the "double deflation" policy of tightening control over finance and credit. Through reducing capital construction scale, controlling consumption funds' excessively quick growth, and controlling the credit scale and the amount of money put into circulation, they have gradually balanced the gross social demand and gross social supply. Considering that the masses are afraid of price increases, so that they blindly withdraw their deposits from banks, they have also taken value guarantee measures to stabilize the people's minds. Therefore, panic purchasing has subsided and prices have gradually tended downward. At that time, had the "overheated" economy's growth been allowed to go on, had the imbalance of total supply and total demand unremittingly expanded, and had the economic structure's imbalance been further aggravated, we would have been compelled to carry out even greater readjustment and the price and losses would have been unimaginable. The party Central Committee and State Council are resolute in implementing the "double deflation" policy.

Beginning in 1989, the State Council has regarded the controlling of price increases strictly as the work of governments at all levels to be assessed. The governments at all levels have taken price control as one aspect of their work of improving the people's livelihood for three consecutive years, made this work known to the public, and firmly grasped this work. In 1988, Tianjin Municipality leaders delivered speeches on price control six times and listened to work reports and studied the method of solving problems 11 times. The range of the retail price index increases of Tianjin's commodities ranked relatively low compared to other large- and medium-sized cities throughout the country.

The prices and market are the comprehensive reflection of the national economy. The control of prices and improvement of the market environment is certainly no easy job and it is very hard to do by simply relying on any one department. Thanks to the three functions of "systems engineering," we can control price increases.

1. "Systems engineering" with the close cooperation of departments with different functions. The leaders of

many provinces, municipalities, and autonomous regions take the lead and organize the planning and economic commissions; price, statistical, industrial, commercial, and financial departments; and banks to divide work, cooperate, and make joint efforts. Heilongjiang Province has called the plan for controlling the prices of 383 kinds of commodities the "383 project." The province and its prefectures, cities, and counties have set up leadership groups and controlled their price index. The government's regulatory and controlling functions have been effectively brought into play. Consequently, the target of control has been attained.

2. "Systems engineering" with the coordinated actions of different economic spheres. The production, circulation, and consumption spheres have a bearing on prices. To keep down the market prices, the production departments of many places have vigorously implemented the policy of "developing the economy and ensuring supplies." Beijing Municipality's area of vegetable fields has increased from 160,000 mu in 1988 to 220,000 mu; Shanghai Municipality has also expanded its existing bases for nonstaple food production. The governments of many provinces and regions, including Inner Mongolia, Jiangsu, Liaoning, Gansu, and Shandong, have ensured that 10 to 20 kinds of necessary commodities are unremittingly supplied and continuously appear on the market, and their prices do not rise. Many of them are manufactured goods for daily use and their costs have been lowered in the course of tapping potential, increasing income, and reducing expenditure. In addition, statistics reveal that the state reduced investments in fixed assets by 11.1 percent in 1989, compared with 1988; industrial growth dropped from 20.7 percent in 1988 to 8.3 percent in 1989; the amount of money put into circulation was 19 billion yuan less than in the annual plan. Marked achievements have been scored in improving and rectifying the order of the circulation sphere, some 50,000 companies have been abolished or amalgamated, and superfluous wholesale links have been chopped off. The momentum in overheated social consumption has been checked.

3. "Systems engineering" with the application of different measures for improvement and rectification. All places and departments have adopted many kinds of measures, such as the economic, legal, disciplinary, administrative, ideological education, and mass supervisory measures, to supervise, control, and guide prices. Those who should get subsidies must be given economic subsidies; commercial enterprises that should concede profits to consumers must promptly do so; a large number of speculators, profiteers, and exploiting middlemen have been punished according to the law; the prices of commodities have been readjusted in a disciplined way; and price control's transparency has been strengthened.

It is impossible to change the practice of being overanxious for quick price reform and to make the work of readjusting and controlling prices develop steadily

without unified party leadership; the spirit of coordinating all of the nation's activities, like pieces in a chess game; and an overall concept. Success in price control has not been won easily and has required unremitting efforts of all quarters. More experiences have been accumulated with a view to establishing a sound structure with the socialist planned economy's integration with market regulation.

Of course, marked results have been achieved in the implementation of the "double deflation" policy, but new problems, like tightening money, slow increase in production, slack consumer demand, and insufficiently enlivened market, have come about. In light of this situation, corresponding measures are being taken to solve them gradually. We still have many difficulties, but our experiences in overcoming these difficulties become rich with each passing day and we shall eventually overcome them. So long as we persistently uphold the stable overall situation and adhere to reform and opening up, we shall surely do a better job in readjusting and controlling prices.

Conference Held To Tackle Economic Reforms

HK1110022090 Beijing CHINA DAILY in English
11 Oct 90 p 1

[By staff reporter Zhang Xiaogang]

[Text] At their first public gathering in almost a year, Beijing academia is trying to sort out the theories and plans for continuing China's economic reform.

Yesterday marked the opening session of the four-day conference, at a research institute in Beijing's western suburbs.

The opening session saw practically a parade of the government's senior economic advisers and champions of various opinions and approaches from the city's research bodies.

Beginning with the discussion on how to better integrate government planning and market forces, they touched upon a whole array of current issues, particularly the one-year-long slack market and its probable solutions.

Working out the scenario for socialist China to combine the advantages of planning and of market forces is a subject of study that Jiang Zemin, General Secretary of the Chinese Communist party, has proposed to the nation's economic theorists, according to Chen Jinhua, minister of the State Commission for Economic Restructuring.

In his first public appearance since his appointment to the position, Chen solicited ideas and suggestions from the economists and representatives of enterprises at the meeting.

He was accompanied by Ma Hong, director of the State Council Research Centre, and Lu Dong, former minister

of the State Economic Commission and expert of the affairs of the government-owned enterprises.

Yesterday's session saw debate on whether China would be able to improve its economy by having more central authority or by relying more on the market, or manoeuvring indirect economic leverage.

Views differed on whether the market slump is caused by some goods that are poorly designed and manufactured or by a decline in demand, especially in the rural market.

The conference is sponsored by the Beijing-based Comprehensive Development Institute, with Ma Hong as its honorary chairman, and the Chongqing-based bi-monthly journal Reform.

Jiang Yiwei, former director of the institute of Industrial Economics of the Chinese Academy of Social Sciences and editor of the journal, presided over the discussions.

Wu Jinglian, senior research fellow at the State Council Research Centre, defended the market-oriented reform as realistic and effective in promoting the nation's economy.

Beijing University professor Li Yining looked into the feasibility of forming joint stock companies for enterprises under public and collective ownership.

Senior economist Xue Muqiao, has previously suggested that China's present readjustment should not be regarded as the failure of its reform.

It is a mistake, he said, that China can ever miss the reform's direction. China would never regret trying to harmonize the work of government planning and the workings of the market place.

A careful study can indicate, he claimed, that China is ahead of other socialist countries in price reform.

Regulations for Processing Foreign Goods Revised

OW0710140990 Beijing XINHUA Domestic Service
in Chinese 1819 GMT 6 Oct 90

[Text] Beijing, 6 Oct (XINHUA)—The General Administration of Customs issued a notice on 5 October. The notice stated that the second provision of Article 5 and the first provision of Article 6 of the "Regulations of the PRC Customs Governing the Administration of Processing and Assembling Foreign Goods," promulgated for implementation on 1 November 1987, were revised.

The second provision of Article 5 was revised to read: "Processed and assembled goods do not require a license for export goods."

The third clause of the first provision of Article 6 was revised to read: "Approval of the Ministry of Foreign Economic Relations and Trade is required for documents, or documents certifying contract records, that have been approved by examination and approval authorities for those items whose registration requires

the approval of the ministry." The fifth clause of the first paragraph of Article 6 was deleted, and the original sixth clause now becomes the fifth clause.

The above revision takes effect 5 October.

First Wholesale Grain Market Opens in Zhengzhou

*OW0910222690 Beijing XINHUA in English
1607 GMT 9 Oct 90*

[Text] Zhengzhou, October 9 (XINHUA)—The Zhengzhou wholesale grain market—the first in China—will go into operation on October 12th.

More than 200 grain trading companies will take part in trading on the opening day.

China, a large agricultural country, has an annual grain output of over 400 billion kilograms, and there are nearly 200 billion kilograms of grain on the market.

The Chinese Government decided to establish a wholesale grain market to shorten the time for grain redistribution, thereby preventing a surplus in one part of the country while a shortage might exist in another part.

The market is a medium-sized spot market, which also has some characteristics of a futures market. It is controlled by the state according to relevant regulations and laws. Grain contracts can also be transferred on the market.

Market regulations require that grain traders provide credentials and earnest money before making deals on the market. Traders are also required to provide escrow accounts for their trade contracts, according to the contracted business volume. Those who violate regulations will be punished.

There are now 244 grain trading units throughout the country, and 418 representatives in charge of the grain trading on the market.

At present the market is open daily, but only to traders within the country.

Zhengzhou is the capital of central China's Henan Province, a major grain producer. Its winter wheat output ranks first in the country.

The city also has convenient telecommunications facilities, and its rail and highway system connects with the national transportation network.

Central-South Region

Shenzhen Economy Shows Steady Growth

OW1110045190 Beijing XINHUA in English
0258 GMT 11 Oct 90

[Text] Shenzhen, October 11 (XINHUA)—The gross industrial output value of Shenzhen, the largest special economic zone in China, reached 10.983 billion yuan in the first nine months of this year, a 33.4 percent increase over the same period last year.

Of this figure, the export volume of industrial products reached 6.776 billion yuan, 50 percent higher than in the same period last year and accounting for 61.7 percent of the total output.

At the same time, the total volume of retail sales reached 4.826 billion yuan, 15 percent more than in the same period of last year.

The city's revenue reached 1.507 billion yuan in the first nine months of this year, a 40 percent increase over that of the same period last year.

Reportage on Sixth CPC Hunan Party Congress

Sixth Hunan Party Congress Opens

HK1010125390 Changsha Hunan Provincial Service
in Mandarin 2300 GMT 8 Oct 90

[Excerpts] The Sixth CPC Hunan Provincial Congress solemnly opened in Changsha on 8 October. [passage omitted]

Seated in the front row on the rostrum were presidium Standing Committee members Xiong Qingquan, Wan Da, Liu Fusheng, Chen Bangzhu, Sun Wensheng, Yang Zhengwu, Zhao Chuqi, Shi Xinshan, Liu Zheng, (Yin Changmin), Wang Xiangtian, Dong Zhiwen, (Tang Weixiang), Sun Ruiting, Xia Zhanzhong, Yang Minzhi, Wang Zhongfu, (Zhu Dongyang), (Li Jianguo), and (Zhao Peiyi).

At 0830 the congress was declared open. Comrade Liu Fusheng presided over the opening ceremony. [passage omitted] Comrade Chen Bangzhu delivered an opening speech. Amid enthusiastic applause, Comrade Xiong Qingquan, on behalf of the Fifth CPC Hunan Provincial Committee, delivered a report entitled Establish Firm Confidence, Keep Forging Ahead as One to Strive for Long-Term Stability and Development in Hunan. [passage omitted] The report consists of six parts: 1) A review of work in the past five years; 2) the new situation and tasks we are faced with; 3) unswervingly persisting in economic construction as the central task; 4) unhesitatingly carrying forward reform and opening up; 5) making unremitting efforts to push on the building of spiritual civilization with socialist ideological education as the main content; 6) adopt effective measures to strengthen party's leadership and party building. [passage omitted]

Chen Bangzhu's Opening Speech

HK1010125790 Changsha Hunan Provincial Service
in Mandarin 2300 GMT 8 Oct 90

[Text] Comrade Chen Bangzhu delivered an opening speech at the Sixth CPC Hunan Provincial Congress on 8 October.

In his speech, he pointed out: The congress' central tasks are to define the guiding ideology, tasks, targets, and major measures for our work in the coming five years; sum up our work in the past five years; arouse party members, cadres, and the masses of the whole province to implement the party's basic line in an overall manner; and to strive for a further political, economic, and social stability and development in Hunan.

He continued: Economic stability and prosperity is the foundation of political and social stability. For this reason, no matter how changeable the international situation will be, we should, always persisting in the party's basic line, unswervingly take economic construction as the central task and concentrate our efforts on the province's economic construction.

He also pointed out: Our party is developing and growing steadily while maintaining close ties with the masses of the people. Without their support, the party would not be able to exist even for a single day. We should unflinchingly adhere to the principle of running the party with strictness, concentrate on party building, maintain closer ties between the party and the masses of the people, and overcome all sorts of negative and corrupt phenomena of being divorced from the masses of the people. Party members and cadres must make efforts to improve their work style, frequently go into the midst of the common people to listen to their opinions and voices, help them remove worries and overcome difficulties, and bring the party's concern to them so that the party's principles and policies will be truly carried out to the letter.

Xiong Qingquan's CPC Congress Report

HK1110023590 Changsha Hunan Provincial Service
in Mandarin 2300 GMT 8 Oct 90

["Excerpts" of first, second, and third parts of report by Comrade Xiong Qingquan at the Sixth Hunan Provincial CPC Congress, entitled: "Establish Firm Confidence, Keep Forging Ahead as One To Strive for Long-Term Stability and Development in Hunan"]

[Text] Part one: A review of work in the past five years. After looking back on the work in the past five years, Comrade Xiong Qingquan pointed out in his report: In reviewing and summing up the work in the past five years, we are deeply impressed. In the days to come we should continue to hold fast to the following points.

1. We should carry out the party's basic line in an all-around and correct way, always persist in economic construction as the central task, hold firmly to the

dialectical unity of the two basic points, take a clear-cut stand in adhering to the four cardinal principles while carrying out reform and opening up to the outside world, and persistently promote reform and opening up on the premise of adhering to the four cardinal principles.

2. We should attach importance to both the building of socialist material civilization and the building of spiritual civilization simultaneously and vigorously beef up and improve ideological and political work so that it will become a powerful motive force for economic work and other kinds of professional work.

3. We should uphold the guiding ideology of ensuring a sustained, stable, and coordinated development of the national economy and should not seek quick results in economic construction, economic improvement and rectification, and reform and opening up but should all proceed from actual conditions, act according to our capability, do everything in our power, have a down-to-earth style of work and make steady progress.

4. We should persist in and improve the party's leadership, conscientiously comply with the principle of running the party with strictness, concentrate on party building, tenaciously cherish the Marxist mass viewpoint, firmly believe in and rely on the masses of the people, be honest in performing official duties, work for the people and always maintain flesh-and-blood ties between the party and the people so as to continuously increase the cohesiveness and fighting capacity of the party.

5. We should hold fast to the principle of taking the maintenance of stability as our overriding task, maintain the stability and continuity of policies, work hard to maintain political, economic, and social stability, make continuous efforts to consolidate and develop the political situation of stability and unity, and create a favorable situation for economic construction and reform.

Part two: The new situation and tasks facing us. Comrade Xiong Qingquan pointed out: We have triumphantly stridden into the 1990's, in which we will inherit the past and usher in the future and carry forward the revolutionary cause and forge ahead into the future. The coming 10 years are extremely important for us, a decade of crucial importance for materializing the second step of the strategic goal of socialist modernization, and also a decade of laying a foundation for attaining the third step of the strategic goal. At present the international situation is undergoing profound and dramatic changes. Such a situation is a challenge and also an opportunity for us. We should seize the opportunity and concentrate our efforts on economic construction. After sizing up the province's political and economic situation, he outlined the fundamental guiding ideology for work in the coming five years as follows: To carry out the party's basic line in an all-around way, adhere to the principle of first, stability; second, reform; and third, development, strengthen party building, and concentrate efforts on economic construction. The general task is to unite and

rely on the people of all nationalities in the province, conduct thoroughgoing education in adhering to the four cardinal principles, wage struggle against bourgeois liberalization, adopt effective measures to beef up ideological and political work, strengthen the building of socialist spiritual civilization, consolidate and develop the political situation of stability and unity, do a really good job in economic improvement and rectification, energetically promote reform and opening up, take vigorous measures to readjust the economic structure, try to improve economic results by firmly relying on science and technology and also on education, develop the province's economy in a sustained, steady, and coordinated way, fulfill the Eighth Five-Year Plan in an all-around way, lay a solid and reliable foundation for the magnificent goal of doubling again the province's GNP and enabling our people to lead a fairly comfortable life by the end of the century, further strengthen party leadership, build the party well ideologically and organizationally and also in work style, and give full play to the core and leading role of the party and the exemplary vanguard role of party members.

Part three: Unswervingly persisting in economic construction as the central task: Comrade Xiong Qingquan pointed out: The essential task of socialism is to make vigorous efforts to expand the social productive forces, and the ultimate aim of socialism is to continuously enhance the people's material, cultural, and living levels. Party committees at different levels must, from the high plane of sticking to the party's basic line, realizing the party's strategic goal and maintaining political and social stability, understand the importance of doing a good job in economic work, unflinchingly persist in economic construction as the central task, which all professions and trades should be subordinated to and work for, and concentrate efforts on economic construction. As for economic construction, in the coming five years our province should follow the principle of readjusting, restructuring, improving, and developing the economy, and make strenuous efforts to readjust the structure, deepen the reform, and improve economic returns so that the economy of our province will truly embark on the path of sustained, steady, and balanced development. To achieve the foregoing, emphasis must be laid on the following six strategic measures: 1) To continue to give top priority to agricultural development; 2) to firmly resolve to march toward a general war of industrial production; 3) to adopt effective measures to strengthen the building of basic industries and the infrastructure; 4) to conscientiously carry out the plan to rejuvenate Hunan through science and technology. 5) To try in every possible way to enliven channels for commodity circulation; 6) to actively support the development of the collective economy in urban and rural areas.

Conclusion of Xiong Qingquan's Report

HK1110045590 Changsha Hunan Provincial Service
in Mandarin 2300 GMT 9 Oct 90

["Excerpts" of fourth, fifth, and sixth parts of report by Xiong Qingquan at the Sixth Hunan Provincial CPC Congress]

[Text] Part four: Unhesitatingly carry forward reform and opening up. Comrade Xiong Qingquan pointed out: The reform and opening up in the 1980's resulted in an unprecedented economic development in our province and brought great material benefits to the people. Just inspired by the great achievements made in reform and opening up, people have become more confident of taking the socialist road. Only when we continue to carry forward reform and opening up in the days to come can we unite and lead the people of the whole province better than before to attain the goal of maintaining stability and development in the 1990's. The reform and opening up at the present moment must, in general, center on the strategic goal of economic development, link with the tasks for economic improvement and rectification, and stabilize and improve some reform measures already adopted. Comrade Xiong Qingquan also noted that deepening the enterprise reform should focus on continuously strengthening the system of enterprise management and operation mechanism and instilling greater vitality into enterprises, and in particular into large and medium-sized enterprises. As to deepening rural reform, the general direction should focus on developing commodity production, strengthening the collective economy, and guiding the peasants to take the road of common prosperity. The main demand for strengthening and improving macroeconomic regulation and control is to organically combine planned economy with regulation through the market so that the economy as a whole will develop in a flexible and orderly way. In reforming the political structure, we should pay special attention to solving the question of buck-passing between localities to create conditions for deepening economic reform. Further enlarging the scope of opening up to the outside world is a major strategic measure to quicken the pace of economic invigoration. We should attach great importance to it and strive for great breakthroughs. To swiftly promote reform and opening up across the province, we should run well different kinds of trial zones. Different kinds of trial zones and open cities and areas should carefully work out their plans for development and construction, with the focus on developing foreign exchange-earning industries, to spur on opening up and development throughout the province.

Part five: Make unremitting efforts to carry forward the building of spiritual civilization with socialist ideological education as the main content. Comrade Xiong Qingquan stated: Socialist ideological education, which is the continued and deepened education in the party's basic line promoted in our province over the past few years, constitutes a major aspect of the education in the four cardinal principles and is a comprehensive measure to strengthen basic-level work in an all-around way in urban and rural areas, and should be organized with painstaking efforts and guided to different types of areas. Party committees at different levels in rural areas should conscientiously carry out the guidelines of the decision made by the provincial party committee in 1989 on deepening socialist ideological education in the rural areas of the province, and this work should be firmly

grasped and done successfully. Socialist ideological education in different types of units in cities mainly depends on efforts of party committees at different levels of cities. While giving prominence to socialist ideological education, we should also educate people to become familiar with current affairs and the fundamental situation in the country, the province and cities, and educate them to cultivate the spirit of self-reliance and hard struggle and rely on the working class wholeheartedly. Universities and colleges should continue to deepen education in adherence to the socialist road and leadership by the Communist Party, combine socialist education with patriotic education, integrate education with social practice and investigation, and help teachers and students cultivate a correct outlook on life and world outlook. Middle and primary schools should educate their students to love the country, the Communist Party, socialism, the people, and labor.

Part six: Adopt effective measures to strengthen party leadership and party building. The report by Comrade Xiong Qingquan expounded from four points the importance of effectively strengthening party leadership and party building: 1) To effectively intensify the party ideologically to further solve the question of making party members ideologically qualified; 2) to effectively strengthen the building of leading bodies to further solve the question of leadership at different levels; 3) to effectively beef up party building to further solve some problems involving the relations between the party and the masses of the people; 4) to effectively reinforce primary party organizations to further change the situation in which some primary party organizations are weak and lax in discipline.

Comrade Xiong Qingquan emphasized in conclusion: The crux of party building lies in the exemplary role of leaders. Party committees at different levels of the province should set an example and consolidate themselves, and each level should take up the running to the next level. The provincial party committee and its Standing Committee, which assume special responsibility for party building, should be all the more strict with themselves; be the first to set an example; take the lead in consolidating themselves ideologically and organizationally, improving their work style and rigidly enforcing relevant rules and regulations; and carve an image of reform and opening up, an image of being honest in performing official duties, an image of solidarity and militancy, and an image of dealing with concrete matters relating to work and blazing new trails among party organizations at different levels of the province and all party members.

Xiong Qingquan Heads Presidium Meeting

*HK1110070390 Changsha Hunan Provincial Service
in Mandarin 2300 GMT 9 Oct 90*

[Text] On the morning of 9 October, the Sixth Hunan Provincial CPC Congress Presidium held its second session, examining and approving the relevant items on the agenda.

Comrade Xiong Qingquan, member of the Presidium Standing Committee, presided over the meeting and gave explanations on personnel arrangements and methods of election initiated by the fifth provincial party committee Standing Committee. He said the Standing Committee had all along attached importance to personnel arrangements for the sixth provincial party congress, and paid close attention to the work. Comrade Xiong Qingquan pointed out: Ours is a ruling party organized according to the principle of democratic centralism, so everything should be done strictly according to the party's organizational principles. We should protect the democratic rights of voters according to the party constitution and successfully fulfill, at the high level of a sense of political responsibility, the glorious tasks assigned by 2.4 million party members of the province.

After canvassing the two documents issued by the congress and lists of candidates for the provincial party committee, the provincial Advisory Committee, and the provincial Discipline Inspection Committee, comrades of the Presidium examined and approved the opinions on personnel arrangements given by the fifth provincial party committee Standing Committee, methods of election at the congress, and lists of candidates for the provincial party committee, the provincial Advisory Committee and the provincial Discipline Inspection Committee, which were proposed by the fifth provincial party committee Standing Committee, and decided to pass the three documents discussed at the session of the Presidium to all delegations for discussion and consideration.

North Region

Beijing Writers, Artists Celebrate National Day

HK1110040690 Beijing RENMIN RIBAO in Chinese
6 Oct 90 p 4

["Dispatch" by reporter Li Derun (2621 1795 3387): "Artists and Writers in Beijing Invited to Reception Celebrating Mid-Autumn Festival"]

[Text] Beijing, 5 Oct (RENMIN RIBAO)—At a time when the three happy occasions, National Day, the Asian Games, and Mid-Autumn Festival, met in this golden autumn, more than 100 writers and artists in Beijing attended a convivial celebratory gathering in the Capital Hotel this afternoon at the invitation of Cao Yu, executive chairman of China Federation of Literary and Art Circles, and Lin Mohan, secretary of the federation's leading party group.

Wang Renzhi, He Jingzhi, Nie Dajiang, and others came to the gathering to extend their greetings to the writers and artists.

In his speech, He Jingzhi held that in the past year, the literary and art front has conscientiously implemented the policy of "grasping rectification with one hand and

prosperity with the other" and scored gratifying achievements under the correct leadership of the new CPC Central Committee centering around Jiang Zemin. He said: Practice has shown our ranks of writers and artists are trustworthy and the overwhelming majority of them are supporters and implementors of the party's principles and policies for literary and artistic creations. They are able and competent to make even greater contributions to the prosperity of the socialist cause of literature and art.

Cao Yu, who is in his early 80's, was in the hospital and was unable to attend the gathering. In his written speech, he extended his greetings to the literary and art circles of the whole country, and to friends in the same line among the compatriots in Taiwan Province, the regions of Hong Kong and Macao, and other countries.

In a highly festive mood, writers and artists made impromptu speeches one after another, expressing their sincere wishes that people in the same line will forge ahead abreast of the four modernizations drive and the reform and opening up, and make efforts to create a new dynamic picture in literary and artistic creations.

Xing Chongzhi Speaks on Enterprise Contracting

SK0610021890 Shijiazhuang HEBEI RIBAO
in Chinese 28 Aug 90 p 1

[By reporters Wang Li (3769 0448) and Zhou Xinmin (0719 2450 3046)]

[Text] The provincial working conference on perfecting the enterprise contracted managerial responsibility system opened on 27 August. Xing Chongzhi, secretary of the provincial party committee, Cheng Weigao, acting governor of the province, and Ye Liansong, executive vice governor of the province, made speeches at the conference.

Xing Chongzhi pointed out: To fulfill the target of effecting a 6-7 percent increase in the annual industrial production, set forth by the provincial party committee and the provincial government in the coming several months, we are confronted with many difficulties. Judging from the province's current basis and conditions, however, these difficulties can be overcome so long as we enhance our spirit, try every possible means, and work in coordination. He hoped that the people would approach difficulties, and find out the crux of problems and the solution to problems with a dialectical materialist point of view to score great achievements under the "macroeconomic climate."

Cheng Weigao dwelled on three issues in line with the focal points of the discussions of a Standing Committee meeting of the provincial party committee and a routine work conference of the provincial party committee.

In his speech, Ye Liansong stressed the necessity of strengthening leadership, enhancing confidence, and being meticulous in organizing the second phase of

contracting. He said: Since May 1987, our province has universally instituted the enterprise contracted managerial responsibility system, thus instilling vigor and vitality to the development of the national economy. He dwelled on the issues in 10 fields on how to achieve success in the second phase of contracting, namely, on the guiding ideology and basic principles of the second phase of contracting; on conscientious summarization, auditing, and honoring of the first phase of enterprise contracting; on the time limit and forms of the second phase of contracting; on the scientific establishment of the contracting quotas system; on the selection of good managers for enterprise contracting; on strengthening the restriction mechanism of enterprises; on the correct handling of the relations among the party, the administration, and the workers of enterprises in order to give full play to the initiative of enterprises as a whole; on the constant improvement of enterprises' technical and managerial expertise; on the contracting problems of collectively run industrial enterprises in urban areas; and on stabilizing and perfecting the various policies and measures regarding enterprise reform.

Northeast Region

Liaoning Holds Conference on Party School Work

SK1110084390 Shenyang Liaoning Provincial
Service in Mandarin 2300 GMT 5 Oct 90

[Text] The third Liaoning provincial conference on the work of party schools was held in Shenyang on 5 October. Attending the conference were secretaries in charge of party school work of city party committees, the work committee of the departments directly under the province and the party committees of some large enterprises; presidents of the party schools of cities, the work committee of the departments directly under the province, counties and districts, and some large enterprises; provincial leaders Sun Qi, Shang Wen, Xu Shaofu, Wang Chonglu, Xu Wencai, Lin Sheng, Fu Jiaji and Zhang Linyun; as well as veteran comrades Li Huang and Liu Yiyun.

Shang Wen, deputy secretary of the provincial party committee, presided over the conference and gave an opening speech. He said: Major tasks of this conference are to conscientiously study and implement the circular of the CPC Central Committee on strengthening the work of party schools and the guidelines of the seventh provincial party congress, to enhance the understanding on the strategic significance in intensifying cadres' Marxist theoretical education in the new situation, to clarify the position, role, and basic tasks of party schools, to summarize the experiences in the building of party schools, to study ways to resolve the major issues on strengthening building of party schools, and to promote the Marxist theoretical study of the cadres throughout the province so as to upgrade the province's party school work to a new level.

(Tao Mingyuan), president of the party school of the provincial party committee, gave a report on the work of party schools. He first reviewed the province's party school work carried out since the third plenary session of the 11th party Central Committee. He said: The education in the party schools of our province has witnessed great development, and a multi-layered education network has by and large taken shape. Party schools at various levels throughout the province have logged 640,000 cadre study sessions or rotational training classes, thus playing an important role in improving cadres' political, ideological, and theoretical levels, implementing the party's basic line, and facilitating the socialist modernization program.

In line with the guidelines of the national meeting of party school presidents and the relevant regulations of the provincial party committee, Comrade (Tao Mingyuan) also stressed: Party schools at various levels throughout the province should clearly understand the new domestic and international situations and clarify the new tasks for the work of party schools. Party schools should become the bases for holding study sessions and rotational training classes for party-member leading cadres, the bases for cultivating the party's theoretical contingent, and the front for the study, research, adherence to, and development of Marxism-Leninism-Mao Zedong Thought. They should become a furnace for cultivation of party spirit, and train a great number of party-member leading cadres and backbone personnel for theoretical propaganda, who are loyal to Marxism.

Comrade (Tao Mingyuan) also gave specific explanations on such issues as systematizing and standardizing the study sessions and rotational training classes for cadres, integrating the training, evaluation, and use of cadres, strengthening the self-improvement of party schools, strengthening leadership of party committees at various levels over the work of party schools, and intensifying vocational guidance to the party schools throughout the province, thus clearly indicating the way for the work of party schools.

Li Huang, Xu Shaofu, and Liu Yiyun also gave important speeches at the conference. They fully affirmed our province's achievements in the work of party schools, and encouraged party schools at various levels to make still greater contributions to training more backbone leaders, theoretical personnel, and successors to the socialist cause, who are loyal to Marxism.

Civil Air Defense Project Completed in Benxi

SK1010134090 Shenyang Liaoning Provincial
Service in Mandarin 2300 GMT 9 Oct 90

[Text] The Benxi underground market, a key civil air defense project, was completed after 20 months of hard work by builders.

On the morning of 9 October, Liu Jingsong, commander of the Shenyang Military Region; Chen Suzhi, provincial vice governor; Yu Guopan, mayor of Benxi City; and

Dong Jiuzhou, deputy secretary of the city party committee, cut the ribbon marking the completion of the underground market. Yu Xiling, vice chairman of the provincial People's Congress Standing Committee, and Ma Shenglin, political commissar of the provincial military district, attended the ribbon-cutting ceremony.

The Benxi underground market for civil air defense covers more than 13,000 square meters in floor space. More than 700 sales counters and some places for literary and art performances may be established there.

Northwest Region

Gansu's Li Ziqi Views Economic Work

HK1010025390 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 8 Oct 90

[Text] The provincial party committee and the provincial government held a forum on economic work and a provincial telephone meeting on industrial and communications productions in Lanzhou's (Lingmozhuang) Hotel yesterday to give a report on our province's economic work in the first nine months of this year, make arrangements for work in the remaining three months, and mobilize the whole province to make concerted efforts and work hard in the fourth quarter in order to ensure the fulfillment of our provincial economic plan this year.

Provincial Governor Jia Zhijie presided over the meetings. Provincial party committee Secretary Li Ziqi and provincial Vice Governor Zhang Wule delivered speeches at the telephone meeting on industrial and communications productions.

Provincial leading comrades attending the meetings also included Ge Shiyang, Lu Kejian, Yan Haiwang, Wang Jintang, Li Wenhui, and Mu Yongji.

At the forum on economic work, responsible comrades concerned from seven departments and cities, including the provincial planning commission, finance department, taxation bureau, metallurgy department, Lanzhou City, Baiyur City, and Jingchuan City, reported economic work of their own departments and areas one after another.

At yesterday afternoon's provincial telephone meeting on industrial and communications productions, Vice Governor Zhang Wule said: This year, various areas, departments, and enterprises across the province have done a lot of work aimed at maintaining economic stability and development and have achieved marked results. However, we should sober-mindedly understand that the economic situation is still very rigorous, which can be seen in two aspects: 1) (Weak market), increased overstocking of industrial and commercial products, and increasingly poor economic results of enterprises; 2) a huge financial deficit coupled with an imbalance between expenditure and revenue. Therefore, party committees and governments at all levels must give top

priority to developing economic work in the fourth quarter and comprehensively fulfilling this year's national economic plan.

Vice Governor Zhang Wule also made specific arrangements for and put forward specific requirements on the fourth quarter's economic work.

In his speech, Li Ziqi emphatically pointed out: First, it is necessary to correctly view the current economic situation and have full confidence in comprehensively fulfilling this year's production quota. Second, it is necessary to concentrate efforts on grasping financial revenue, which is a weak link. Third, enterprises must devote their energies to increasing economic results and tapping latent potentialities. Fourth, all parties concerned must support enterprises and support the work of factory directors (managers), strictly ban indiscriminate apportionments, charges, and fines, and all types of unnecessary examinations. Fifth, it is necessary to make preparations for next year's production in advance.

Finally, he expressed the hope that the whole province will immediately make concerted efforts, brace up, do practical work, seek practical results, and work hard in the fourth quarter in order to accomplish all the tasks set for this year.

Li Ziqi Views Farmland Capital Construction

HK0910132590 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 4 Oct 90

[Excerpts] Yesterday, provincial and city party and government leaders and some office cadres went to (Huangyu) Township, (Qilihe) District of Lanzhou City to voluntarily take part in the construction of water conservancy works and farmland capital construction there. The following is a recorded, on-the-spot report made by our station reporters Chao Xiaoqin and Ding Zhumin:

[Passage Omitted] At 0800 this morning, [words indistinct], more than 300 office cadres of the provincial party committee, the provincial government, the provincial Discipline Inspection Commission, the Lanzhou City party committee, the Lanzhou City government, the provincial (supervision) department, the provincial water resources department, the provincial Communist Youth League committee, and the provincial women's federation arrived here to take part in farmland capital construction.

Provincial party committee Secretary Li Ziqi, provincial Governor Jia Zhijie, provincial Vice Governors Wang Jintang and Mu Yongji, and Lanzhou City party committee Secretary (Liu Ziling) also came to work. [passage omitted]

We interviewed the provincial party committee secretary.

Reporter: How are you, secretary? We'd like to know whether it is true that carrying out farmland capital

construction is of greater importance to a province like ours whose natural conditions are relatively poor.

Secretary: On the basis of (our experiences) over the past few years, we have come to believe that carrying out farmland capital construction is conducive to stabilizing grain production. In areas frequently devastated by drought and [words indistinct], in order to increase production output, it is necessary to carry out farmland capital construction. Farmland capital construction consists of the following two aspects: 1) (?To strive to maintain irrigated areas); 2) to harness hilly land. In harnessing hilly land, we should mainly build terraced fields. [words indistinct] So long as we successfully carry out farmland capital construction, even those most difficult areas and areas most frequently plagued by drought will be able to (?accomplish something). At present, our whole province is engaged in farmland capital construction. [words indistinct] The participation of all the cadres across our province in farmland capital construction is aimed at pushing farmland capital construction to a climax, making our cadres understand the importance of farmland capital construction, and further consolidating the position of agriculture as the basis.

Reporter: Have the provincial party committee and government already formulated specific plans for farmland capital construction?

Secretary: Next year, [words indistinct] we will build (?irrigation networks) covering more than 0.2 million mu of farmland, [words indistinct], build and restore (?irrigation networks) covering 0.7 million to 0.8 million mu of farmland. So long as we make persistent efforts in this regard, we will be able to make progress year in, year out. The key to farmland capital construction lies in relying on the masses of the people. The state will provide a certain amount of subsidies. However, we should mainly rely on ourselves in improving our production conditions. [words indistinct]

Reporter: Now the rural areas have generally implemented the responsibility system. In what way will farmland capital construction in the rural areas be organized?

Secretary: [Words Indistinct] Farmland capital construction should be carried out field by field [words indistinct]. However, we should also develop collective economy and diversified economy to a certain extent. [passage omitted]

Gansu Military Leaders Participate in Labor

HK1010043390 Lanzhou Gansu Provincial Service
in Mandarin 2300 GMT 8 Oct 90

[Text] Yesterday, despite a fine drizzle, led by Major General (Li Zhong), political commissar of the provincial military district, and Major General (Gu Hua), deputy political commissar of the provincial military district, more than 300 officers and soldiers from organs

of the Gansu Provincial Military District, units stationed in Lanzhou, which are directly under the command of the Gansu Provincial Military District, the Lanzhou Military Subdistrict, and the Lanzhou Reserve Force Division drove to (Xicheng) Township of Yongdeng County to voluntarily participate in the construction of water conservancy works and farmland capital construction [words indistinct].

A report filed by our station correspondent Wang Xuewu from the construction site said: Yesterday, although they became wet all over from the rain and the weather was cool, the officers and soldiers still worked in a high spirit on the construction site. In order to raise work efficiency, Political Commissar Major General (Li Zhong), together with other leaders, used the method of dividing up the work and assigning work quotas to various units and started a labor emulation drive, thus enlivening atmosphere on the construction site and arousing work enthusiasm of all the comrades.

After four hours of hard work, they built a [word indistinct] road. The local people sighed with emotion: Our dear People's Liberation Army [PLA] built a road for us in the rain and shed their sweat in (Qinwangchuan). [Words Indistinct] Once tens of thousands mu of dry land is transformed into good farmland, we and our offspring will never forget the efforts made and the sweat shed by the PLA men.

Qinghai To Unfold Socialist Theory Study

HK0710063090 Xining Qinghai Provincial Service
in Mandarin 2300 GMT 5 Oct 90

[Text] The propaganda department of the provincial party committee has recently made arrangements for unfolding in-depth socialist theory study and education activities among cadres at all levels across the province.

At a mobilization meeting held yesterday, provincial party committee Deputy Secretary Sang Jiejia called on members of party committees at all levels to take the lead in carrying out study and strengthen their own conviction in socialism at a deep ideological level.

According to the arrangements and opinions of the propaganda department of the provincial party committee, the purpose of carrying out this theoretical study and education is to concentrate efforts on solving the problem regarding conviction in socialism. This is because: In real life, socialism has come across new challenges and is facing new tests. Some cadres and masses have developed various misgivings and puzzlements on the question of how to understand socialism. Now once again laying emphasis on studying socialist theories is aimed at unifying ideological understanding, arousing enthusiasm, and promoting a steady development of socialism.

The propaganda department of the provincial party committee demanded that between now and the end of March of next year, party committees at all levels should

mainly organize party and government office cadres, tertiary and secondary school teachers, college students, and cadres in scientific research units and ideological departments to concentrate on studying socialist theories. During the study, it is necessary to adhere to the principle of integrating theory with practice, acquire a thorough understanding, really solve the in-depth ideological question regarding one's basic attitude toward socialism, pay attention to integrating socialist theory study with Marxist philosophy study, integrate theory study with opposition to capitalist liberalization, and deepen one's understanding of socialism from the viewpoint of dialectical materialism and historical materialism. There are two main study forms, namely, full-time training and in-service study. It is necessary to encourage individual private study and provide centralized guidance. After the study is completed, it is necessary to conduct examinations and tests in various forms. In the meantime, party committees at all levels must further strengthen theory study and propaganda work, give full scope to the role played by the lecturers' groups, and enable the socialist theories to strike root in the hearts of the people. Through this study, we must further press ahead with the work on our province's ideological and theoretical front, develop and expand our contingent of theory workers, and open up new vistas for the work on our province's ideological and theoretical front.

In order to practically carry out study activities at all levels, the propaganda department of the provincial party committee held a study mobilization meeting yesterday morning and made arrangements for the province-wide socialist theory study work.

At the meeting, provincial party committee Deputy Secretary Sang Jiejia delivered a speech on how to successfully carry out the study. He pointed out: Whether or not socialist theory study and education can attain the predetermined goals and achieve actual results will mainly depend on the leaders. He called on party committees at all levels to place this theoretical education of cadres high on their work agendas, firmly and successfully grasp work in this regard, and make both overall and specific arrangements for carrying out in-depth study activities in light of the realities in their own areas and departments. The nucleus study group of every party committee should play an exemplary role in studying the relevant theories, discussing questions in light of one's own ideology as well as the realities, and in some other aspects so as to give a powerful impetus to the study carried out by the cadres and masses in their own areas and departments. It is necessary to establish a restriction mechanism, strictly enforce a study system, and really guarantee study activities in terms of leadership, organization, time, and system with the intention of achieving better results in the study and improving the quality of the study.

Shaanxi Governor Views Grain Production

HK1010115590 Xian Shaanxi Provincial Service
in Mandarin 0030 GMT 9 Oct 90

[Text] Yesterday, provincial Governor Bai Qingcai and Vice Governor Wang Shuangxi delivered important speeches outlining tasks and measures to further increase our provincial grain production at the provincial conference on rural work.

Wang Shuangxi said: The next 10 years is a crucial period in which our province will attain the strategic goal of her second-stage economic development. The grain production situation will be of great importance to ensuring a sustained, coordinated, and steady development of our entire national economy. On the basis of conscientiously conducting investigations and research, extensively listening to opinions, and repeatedly conducting demonstrations, the provincial party committee and government have recently formulated a formal plan aimed at further increasing our provincial grain production. The plan's main demand is to lay a solid foundation within five years and realize a comparatively well-off livelihood within 10 years. They have also put forward two specific tasks: 1. The task of hopefully increasing grain output to a desired level: To strive to have our province's comprehensive grain production capacity and grain output increased to, and stabilized at, 12.5 billion kilograms by 1995 and have it increased to 14 billion kilograms by 2000. 2. The task of guaranteeing grain output increase: To ensure that our province's comprehensive grain production capacity and output will have been increased to, and stabilized at, 11.5 billion kilograms by 1995 and 13 billion kilograms by 2000.

Wang Shuangxi pointed out: In order to fulfill the task of further increasing grain production, it is necessary to actively develop a new comprehensive production capacity while protecting the existing grain production capacity and lay equal stress on stabilizing grain growing area and increasing per unit area grain yield, on irrigated agriculture and dry-land agriculture, on conventional agriculture and development agriculture, and on protecting the existing cultivated land and reclaiming barren land. It is also necessary to strengthen construction of water conservancy works and farmland capital construction, fertilizer production, crop strain raising, and agriculture-oriented industrial development; increase input in agriculture through a variety of channels; and create fine conditions for further increasing grain production.

Governor Bai Qingcai stressed: Agriculture's further development requires a strong back-up force. In view of our provincial situation, what is decisive is to build 20 million mu of irrigated farmland and 20 million mu of basic farmland without water conservancy facilities. With 40 million mu of stable-yield and high-yield farmland, we will be able to gain the overall initiative.

Bai Qingcai finally said: To build the two 20-million-mu basic farmlands needs huge investment and demands effective protection of basic farmland. Various areas

must make a comprehensive use of economic, legal, administrative, educational, and other means to facilitate the formation and maturity of water conservancy investment mechanism and basic farmland protection mechanism. While making every possible endeavor to increase the input of funds, chemical fertilizer, farm chemicals, farm plastic film, diesel oil, and manpower, it is necessary to pay great attention to increasing scientific and technological input, persist in promoting agricultural development by relying on science and technology, restore and transform traditional technologies, popularize and apply advanced applied technologies, demonstrate and (perfect) (advanced) production technologies, and attach importance to and strengthen basic technological study. The provincial authorities have decided to organize 30,000 scientific and technological personnel each year and send them to the main battlefield of agricultural production to concentrate their efforts on popularizing 10 basic applied agricultural technologies, building 22 development projects, conducting technological training in the rural areas, greatly carrying out science and technology contracting activities with a view to turning science and technology into productive forces as soon as possible, really ensuring a stable and high output, and making contributions to further increasing our provincial grain production.

Shaanxi Province Reaps Bumper Cotton Harvest

OW0910141990 Beijing XINHUA Domestic Service
in Chinese 1438 GMT 29 Sep 90

[By correspondent Hao Li (6787 0448)]

[Text] Xian, 29 Sep (XINHUA)—Good news has been reported from Shaanxi Province's agricultural front: The province has reaped a bumper harvest from its more than 1.5 million mu of corn with an expected gross output of over 1.4 million dan, an increase of over 20 percent compared with last year. Peasants currently are busy selling their patriotic cotton amid the festive mood brought about by the Asian Games. As of 20 September, a total of 65,000 dan of cotton had been procured from various localities.

Song Hanliang Addresses United Front Meeting

OW0910142190 Urumqi Xinjiang Television Network
in Mandarin 1400 GMT 8 Oct 90

[Announcer-read video report by station reporter Umarjia Muhanmode; from the "Xinjiang News" program]

[Text] [Video opens with a medium shot of a crowded conference room with a red horizontal sign above it with characters in white which read "The United Front Work Conference of the Xinjiang Uygur Autonomous Region"; cuts to show a bespectacled Song Hanliang addressing the conference; and alternates between Song Hanliang and attendees] Song Hanliang, secretary of the autonomous regional party committee, delivered an important speech entitled "Let Us Make Vigorous

Efforts To Develop the Broadest Possible Patriotic United Front and Strive To Attain Long-term Stability in Xinjiang, and Prosperity and Progress for All Nationalities" at an autonomous regional conference on united front work on the morning of 8 October.

Song Hanliang said: Our region has achieved noticeable success in united front work since the Third Plenary Session of the 11th CPC Central Committee. The patriotic united front has played an important role in endeavors to maintain stability and unity in the autonomous region; to safeguard the unity of the motherland; to develop socialist democracy; and to promote the reform, open policy, and socialist modernizations. It has made great contributions to all these endeavors.

Song Hanliang said: While giving a positive assessment to our achievements, at the same time we must be seriously aware that, in recent years, the patriotic united front in the autonomous region has been affected to a certain degree by the influence of stepped-up efforts by international hostile forces to implement their strategy of "peaceful evolution," the ideology of bourgeois liberalization which has run rampant at home, and the intensified activities of subversion, infiltration, and sabotage carried out by national splittists both at home and abroad. Some problems still exist in our united front work. It is necessary for us to draw a lesson from this. We must sum up experiences, enhance our awareness, arouse ourselves with force and spirit, and work even harder to succeed in our united front work under the new situation.

Song Hanliang pointed out: The united front work shoulders a glorious and assiduous mission in the central task of bringing about stability and development in our region. For a considerable period of time to come, the autonomous region's united front work must hold high the banners of patriotism and socialism, take a clear-cut stand in adhering to the four cardinal principles, make vigorous efforts to encourage patriotism, persist in focusing on the work of nationalities and religious affairs, unite all the forces that can be united, bring every positive factor that can be mobilized into play, be dedicated heart and soul to the same cause, and pool everyone's wisdom and efforts to make contributions to consolidating and promoting political stability and unity, strengthening solidarity among all nationalities, safeguarding the unity of the motherland, enabling the socialist modernizations and the reform and open policy to forge ahead, and promoting the concept of "One Country, Two Systems" and peaceful reunification of the motherland.

Meeting Discusses Jiang, Yang Baibing Speeches

OW1010163090 Urumqi XINJIANG RIBAO in Chinese
10 Sep 90 p 1

[By correspondent Yang Chuanpeng (2799 0278 7720) and military reporter Qiu Mingquan (6726 2494 0356)]

[Text] The Xinjiang Military District held a plenary (enlarged) session of its party committee from 6 to 7 September to seriously relay and study the important speeches made by Jiang Zemin and Yang Baibing, chairman and secretary general of the Central Military Commission, respectively, when they inspected troops stationed in Xinjiang. The military district also convened the session to ensure that a solid and proper job is done in changing the leading bodies of divisions and brigades in the wake of leadership reshuffles, and to further strengthen military construction in an all-around way.

The important speeches of Chairman Jiang and Secretary General Yang, made while inspecting troops stationed in Xinjiang, clearly pointed out the objective and direction of efforts to strengthen the all-around construction of troops stationed here. The meeting urged leaders at all levels to study and implement the important speeches of Chairman Jiang and Secretary General Yang, and to try to grasp the essence of the speeches in depth. In particular, it said, the leaders must thoroughly understand the strategic location and responsibilities of troops stationed in Xinjiang; actively promote the idea of political construction; continuously raise the high level of unison in political awareness between officers and men and the CPC Central Committee; and ensure the implementation of the party Central Committee's policy decisions and the Central Military Commission's directives among troops stationed in the military district. They must thoroughly understand the spirit of promoting unity between soldiers and the government, soldiers and the common people, and among various ethnic groups. They must clearly identify unity as the lifeblood of soldiers and people of various nationalities in Xinjiang. The troops in our military district shoulder important responsibilities for upholding unity. They must strive to become models of unity. They must take the lead to promote unity between soldiers and the government, soldiers and the people, within leading

bodies, between officers and men, and among localities. Each comrade must contribute to strengthening unity. They must thoroughly grasp and carry forward the glorious traditional spirit of plain living and hard work, and understand that it is the distinct feature and political superiority of troops stationed in Xinjiang. They must promote education for troops and constantly carry forward the Karakorum spirit, endorsed and hailed by Chairman Jiang and Secretary General Yang, that calls for "showing deep love for frontier defense, leading a plain life, working hard, displaying selfless dedication, and fighting indomitably." They must also have a thorough understanding of the ideas for improving grass-roots military units and frontier defense. They must understand that the troops in Xinjiang are stationed in remote areas and are widely scattered. They must also understand that the tasks for strengthening grass-roots military units and frontier defense are arduous. They must focus their attention and efforts on building grass-roots military units and frontier defense, actively strengthen party building at the grass-roots level, and seriously improve the task of building grass-roots military units and frontier defense.

In line with the spirit of the important speeches by Chairman Jiang and Secretary General Yang, the meeting specifically urged new leading bodies of divisions and brigades to intensify the study of Marxist-Leninist theory, especially the philosophical works of Karl Marx and Lenin, in order to effectively raise their own ideological and theoretical levels. They must strengthen unity within their ranks and build themselves into strong leading collectives in accordance with the Central Military Commission's request. In communicating their understanding of the request, members of the new leading bodies attending the meeting discussed their interpretations, tried to discover different opinions, sought unity of thinking, and corrected undesirable attitudes. They signaled their intention to start anew and work hard for the all-around construction of troops stationed in the military district.

President Li Teng-hui Receives Asiad Delegation

OW1010043990 Taipei CNA in English 0247 GMT
10 Oct 90

[Text] Taipei, Oct. 10 (CNA)—President Li Teng-hui received the Republic of China [ROC] athletic team, just back from competing in the 11th Asian Games, at the Armed Forces Officers Club Tuesday afternoon.

Accompanied by secretary general to the president, Tsiang Yien-si, and personal chief of staff to the president, Gen. Chiang Chung-ling, President Li was warmly welcomed by all participants to the tea party when he arrived at the club.

President Li told those present at the party that although the Chinese Taipei team's performance in the Asian Games was not as good as expected, he believed all the athletes had done their best in the competition. The Chinese Taipei won gold medals for two demonstration events, 10 silver medals and 21 bronze medals in the Asiad.

Li hoped that all athletes would be motivated by their participation in the Asian Games to improve their performances and to strive for better scores in future international competitions.

A welcoming luncheon was given Tuesday noon to entertain the ROC team members. During the luncheon, Premier Hao Po-tsun presented Kuo Kuang sports medals to the 106 athletes who won honors in the Asian Games' golf, judo, gymnastics, martial arts, baseball, track and field, archery, weightlifting, cycling and soft tennis events.

Customs Pact Soon With EC, South Africa, ROK

OW1110035290 Taipei CNA in English 0302 GMT
11 Oct 90

[Text] Taipei, Oct. 11 (CNA)—The Republic of China [ROC] will soon sign temporary customs clearance pacts with the European Community, South Korea and South Africa, officials said.

The Board of Foreign Trade officials said EC could become the second party after Singapore to sign such a pact with the Republic of China.

The China External Trade Development Council (CETRA), a semi-official organization, has put finishing touches on a draft agreement with the European Chamber of Commerce, they said.

The draft agreement has been submitted to the Executive Yuan for final approval, and is expected to take effect after an exchange of documents with the European Chamber of Commerce, they said.

Under the accord, the ROC and the 12 EC countries will reciprocate by facilitating customs clearance for exhibition products, samples, and special facilities and equipment.

The officials further pointed out that negotiations with South Korea and South Africa on signing similar pacts were in the final stage.

'High-Level' Hong Kong Liaison Agency Set Up

HK1010014590 Hong Kong SOUTH CHINA
MORNING POST in English 10 Oct 90 pp 1, 8

[By Willy Wo-Lap Lam in Taipei]

[Text] The Taiwan Government has set up a high-level agency to strengthen its policy towards Hong Kong, including ensuring the presence of Taiwan organisations in the Special Administrative Region after 1997.

The new office will be called the Hong Kong and Macao Department (HMD), which will be part of the Mainland Affairs Council (MAC), a ministerial-level commission to be set up later this month.

Taiwan sources said the MAC would be headed by the Premier, Mr. Hau Peitsun. The executive vice-chief of the MAC is tipped to be Dr. Ma Ying-jeou, concurrently chairman of the Research, Development and Evaluation Commission of the cabinet.

Political analysts in Taipei see the formation of the MAC and HMD as attempts by Taiwan to beef up its own "united front" work towards the mainland and Hong Kong.

"We have set up the Hong Kong and Macao Department within the MAC because we think it necessary to include Hong Kong as part of our overall policy towards the mainland," said Dr. Ma in an interview in Taipei yesterday. "The department will have a staff of around 10."

The HMD will be a coordinating agency that will guide the Hong Kong-related work of such other departments as the Overseas Chinese Affairs Commission and the Foreign Ministry, which maintain quasi-official offices in Hong Kong.

Until now, Hong Kong and Macao policy has been handled by an ad hoc group called the Hong Kong and Macao Affairs Taskforce, which has no permanent personnel establishment.

Dr. Ma, who is a key formulator of policy towards the mainland and Hong Kong, said Taipei would continue to provide a haven for Hong Kong people, "less than five per cent of whom have the ability to leave before 1997".

He said that over the past few years, Taipei had given permission to more than 10,000 Hong Kong residents to settle in the Kuomintang stronghold. However, just slightly over 1,000 had actually moved to the island.

"We do not consider this a failure of our Hong Kong policy," he said. "Many would want to stay in Hong Kong till as late as possible. Moreover, as they are basically fleeing from communist rule, they naturally

want to get as far away from the mainland as possible, and places like the U.S. and Canada will continue to be their first choice."

He reiterated that Taiwan's existing organisations in Hong Kong would not "retreat" after 1997 as they would continue to contribute to the prosperity and democracy of the territory.

Dr. Ma, a former personal secretary of the late president Chiang Ching-kuo, denied that there was any quota for Hong Kong residents who wanted to settle in Taiwan.

But he said: "Because of Taiwan's high population density, we cannot take as many people as we would like.

"We have certain criteria, including security. Naturally, we are concerned about infiltration from mainland agents."

At the same time, the Taiwan Government is setting up an intermediary agency to handle relations with the mainland.

Since Taipei still insists on the "Three Nos" policy of no direct contacts, the middleman agency will be technically a private foundation, half of whose funds will come from the private sector.

Mr. Chen Chang-wen, an adviser to the Defence Ministry and chairman of the Taiwan Red Cross, is tipped to head the foundation.

Dr. Ma said the foundation would deal with matters such as guaranteeing the investment of Taiwan businessmen, certifying legal documents, and securing compensation for Taiwanese travellers in incidents such as the air crash at Guangzhou airport last week.

He said that with Beijing's permission, the foundation would soon be opening branches on the mainland.

"Beijing has vacillated on whether they welcome the idea or would allow the foundation to set up branches in the mainland," Dr. Ma said.

A principal goal of Taipei's mainland policy would be to promote "cultural exchanges" between both sides.

"Bearing in mind the example of the German unification, we know the big role played by cultural exchanges," he said.

Dr. Ma said that unless Beijing showed signs of "lessening animosity" towards Taiwan, it was unlikely that Taiwan would allow direct trade with or investment in the mainland.

Reportage on National Day Activities, Speeches

President's Address Released

OW0910211190 Taipei CNA in English 1600 GMT
9 Oct 90

["Full Text of President Li Teng-hui's 10 October National Day Address"—CNA headline]

[Text] Ladies and gentlemen:

Today the Republic of China [ROC] is celebrating its 79th National Day. Our founding father Dr. Sun Yat-sen dedicated his entire life's efforts to the national revolution, with the goal of founding a modern nation that is of the people, by the people, and for the people, on a base of Chinese culture. Since the founding of the republic, we completed the northern expedition and the war of resistance against Japan under the proud flag of the Republic of China to realize the dream of founding this nation, and to continue to transmit and develop Chinese culture. Looking to the future, we feel incomparable confidence, and even more importantly, the weight of our responsibility; we must unite and prepare to make even greater efforts.

Implementing Democracy; Accelerating Constitutional Reform

It has always been our policy to implement democratic government and maintain the democratic spirit of the Constitution. We held a National Affairs Conference in June of this year to learn the will of the people from many different sources, and study matters regarding the creation of a sound constitutional system. We came to a consensus on a number of important issues, and the ruling party has established a planning committee for constitutional reform that is now drafting a plan for constitutional reform. We strongly hope that the work of this committee will be completed according to schedule. I would like at this point to earnestly declare to you that the purpose of constitutional reform is to fortify our foundation of constitutional democracy, and the government has absolute sincerity and confidence that this constitutional reform work will succeed in meeting the needs of the current age without violating the fundamental spirit of our Constitution.

Hard Work, Frugality, and Taking Action, Creating a New Economic Miracle

The tense situation in the Middle East recently has delivered a major blow to the entire world economy, and has seriously affected our economy as well. Due to the people's determination to overcome hardship and the government's wise handling of the situation, we were able to pull through the two economic recessions occasioned by the energy crises of 1973 and 1979. At present the government is adopting an attitude of responsibility and great determination to revitalize the economy. With the launching of the various public construction projects and the upgrading of industry, I am even more confident of our nation's future economic development. It is my

hope that we can wake up from our self-satisfied attitude over our achievement of moderate prosperity, and remind ourselves of the lesson of how hedonism leads to one's own destruction. This is an opportunity to re-examine and reaffirm the virtues of our traditional values of hard work and frugality. We know that combining our traditional moral standards with economic development is the one way to thoroughly overhaul the present system, and go on to create a new economic miracle.

Expanding Our Diplomatic Relations Through Sincerity and Pragmatism

Our county has always had a foreign policy of participating in international activities, promoting international cooperation, supporting international justice, and protecting world peace. Although the Chinese Communists have placed obstacles in the way of the ROC's diplomatic efforts since our withdrawal from the United Nations, we have not as a result abandoned our pragmatic efforts to open up more room for ourselves for further international development. I believe that, as a member of the international community, the Republic of China cannot isolate itself from changes in the world situation. In addition to the international economic cooperation and development that we have established to provide assistance to developing countries, we must also do our best to carry out our international responsibilities. For this reason, we have voiced our stern condemnation of the recent occupation of Kuwait by Iraq, while expressing praise and support for the united international effort in defense of justice and peace. We will also go to the best of our ability to provide aid to the nations of this region that have been affected by the Middle East situation.

Working Together Towards National Reunification

It is undeniable that, despite forty years of separation, the two sides of the Taiwan Straits are linked by a common heritage, and the belief that the two sides will eventually be reunited has never wavered. Current world trends have shown us how actual practice has proven the total failure of communism: The Soviet Union and the East European countries are now finally changing their course and trying out a different approach. The Chinese Communists thus have no reason to deprive the Chinese people of their right to pursue freedom and democracy. The Chinese Communists also have no power to run counter to the trend of the times over the long term, or to persist in a system that has been rejected by the rest of the world. Thus I have repeatedly summoned the Chinese Communists to view the situation clearly, change course, abandon one-party dictatorship, and implement democratic government and a free economy, so that our 1.1 billion mainland countrymen not be trapped in an abyss of prolonged suffering. Because of forty years of separation, we know well that only by taking the broad road of freedom and democracy can the two sides of the Taiwan Straits again join hands and be united. Only under the premise that the people's will is respected can

we reach a consensus. Working to establish shared political concepts and lifestyles is the only way to firmly build up an attitude of mutual trust and assistance between the two sides.

Ladies and gentlemen, I have continually stressed that there is only one China, and it should and must be reunited. No Chinese can shirk the responsibilities of working towards reunification. To realize the desire of all Chinese that the country be reunited as soon as possible, we have established a National Unification Council to promote the early achievement of our goal of reuniting the country under the principles of freedom and democracy. The road to reunification is a long and difficult one, but we are on the right path. The future will demand our utmost patience as we move ahead step by step. Our founding father Dr. Sun Yat-sen once gave these words of encouragement: "If I believe in my heart that it is attainable, then even though it may be as difficult as moving a mountain or filling in the sea there will be a day when it finally succeeds." Saying these words over and over in our hearts will strengthen our confidence and make our step even surer. Let us join hearts and hands without looking back, and hold our heads high as we march towards the broad road of strength and prosperity, thus leading the Republic of China into a great and brilliant new era.

Thank you.

President To Officiate Ceremony

OW0910214390 Taipei CNA in English 1602 GMT
9 Oct 90

[Text] Taipei, Oct. 9 (CNA)—President Li Teng-hui will officiate at a ceremony marking the Republic of China's 79th National Day at the Presidential Office Wednesday.

President Li will then receive foreign dignitaries including President Joao Bernardo Vieira of Guinea-Bissau and foreign envoys based in the Republic of China who will extend their felicitations on behalf of their governments.

According to the Foreign Ministry, 18 countries, including Japan have dispatched special envoys or representatives to attend the Double Ten celebrations in Taipei.

The Presidential Office said Legislative Yuan Speaker Liang Su-jung will preside over a mass rally celebrating the 79th founding anniversary of Asia's first democratic republic.

Some 250,000 people, including foreign guests and Overseas Chinese representatives, will attend the mass rally which will be followed by celebration activities. President Li will address the rally.

In the afternoon, traditional Chinese folk dance performances by civilian groups will be staged to mark the National Day.

Foreign Minister Chien Fu and Mrs. Chien will host a cocktail party in the evening at the Taipei Guest House during which government leaders and representatives from all walks of life will be invited to share the festive mood with foreign friends.

Between 7:30 and 8:30 p.m., a colorful fireworks display will be held near the No. 6 Gate of Taipei's Tamsui River to climax the capital city's National Day celebration.

President Greet Foreign Guests

*OW1010202190 Taipei CNA in English 1455 GMT
10 Oct 90*

[Text] Taipei, Oct. 10 (CNA)—President and Mrs. Li Teng-hui received 277 foreign envoys, representatives and guests at the Presidential Office Wednesday.

President Li shook hands with each of the guests, here to extend their best wishes to the Republic of China [ROC] on its 79th national day.

The foreign well-wishers included Guillermo Ford, second vice president of Panama and Haitian Ambassador Raymond Perodin, chief of the foreign diplomatic corps in the Republic of China.

Vice President Li Yuan-tsu and Foreign Minister Chien Fu were among other ROC leaders on hand to greet the foreign friends.

Foreign Dignitaries Honored

*OW1010202590 Taipei CNA in English 1557 GMT
10 Oct 90*

[Text] Taipei, Oct. 10 (CNA)—Foreign government leaders and delegates in Taipei to celebrate the Republic of China's National Day were honored Wednesday evening at a grand party hosted by Foreign Minister Chien Fu.

President and Mrs. Li Teng-hui and Vice President and Mrs. Li Yuan-tsu also attended the party at the Taipei Guesthouse to greet the foreign guests and thank them for coming from afar to take part in the "Double Tenth" National Day celebrations.

The more than 100 foreign government leaders and delegates from 18 countries congratulated the Republic of China chief of state for the country's 79th birthday on behalf of their governments and peoples.

The guests included General Joao Bernardo Vieira, president of Guinea-Bissau's Council of State, Panamanian Second Vice President Guillermo Ford, Honduran First President Jacobo Omar Hernandez [name, title as received], Grenada Prime Minister Nicholas Alexander Brathwaite and Prime Minister Obed M. Dlamini of the Kingdom of Swaziland.

President Li met with President Vieira briefly in the VIP room. The Guinea-Bissau leader will begin a series of

talks with Republic of China economics and agricultural officials on possible cooperative ventures between the two countries.

President Vieira told reporters he was impressed by the National Day rally attended by some 250,000 people at Presidential Office Plaza in the morning.

In the Republic of China for the first time, Vieira immediately fell in love with delicious Chinese cuisine. "Excellent" he remarked after tasting traditional Chinese noodles.

Honduran First President Omar Hernandez said he had been impressed by Chinese food as well as the progressive development of the Republic of China on Taiwan. He said the country's development experiences could serve as a model for his Central American country.

Also present at the rally were nearly 4,000 people including Republic of China central and local government leaders, parliamentarians, Overseas Chinese representatives, members of the diplomatic corps in Taipei and representatives of countries not having diplomatic relations with the country.

KMT Secretary General on Day

*OW1110031490 Taipei CNA in English 0249 GMT
11 Oct 90*

[Text] Taipei, Oct. 11 (CNA)—Pop music and rhythmic dances—instead of goose-stepping troops—highlighted this year's national day rally and parade in the Presidential Office Plaza Wednesday.

While military police motorcycles led the parade under bright, sunny autumnal skies following the rally, other entries were presented by high school and college students, making the ceremony more of a gathering of the people than a show of military spirit.

In addition to traditional lion and dragon dance performances, some 1,200 colorfully dressed high school and college students presented rhythmic dances to the beats of dynamic pop music.

Kuomintang Secretary General Sung Chu-yu, who viewed the whole procession, said the colorful events helped bring out a festive mood. Tsai Hsiao-yi, a senior member of Control Yuan, was moved by the performances of the exuberant young people. "It's great and enjoyable," Tsai said.

Overseas Chinese Goal of Reunification Reassured

*OW1010183790 Taipei CNA in English 1605 GMT
10 Oct 90*

[Text] Taipei, Oct. 10 (CNA)—The Republic of China Government Wednesday reassured the tens of millions of Chinese residing overseas that Taipei will never change its goal of pursuing the reunification of China.

Tseng Kuang-shun, chairman of the Overseas Chinese Affairs Commission, reiterated the government's established policy at a lunch held in honor of Overseas Chinese visiting the motherland to take part in the celebrations of the "Double Tenth" National Day.

The cabinet minister also urged Overseas Chinese around the world to help the Republic of China on Taiwan achieve the goal of national reunification.

Tseng stressed that the government will not tolerate the advocating of Taiwan independence by secessionists in the country. Both President Li Teng-hui and Premier Hao Po-tsun have repeatedly voiced their opposition to any bid by Taiwan independence advocates to divide the nation's territory, Tseng noted.

Shaw Yu-ming on 'One Country, One Good System'

*OW1010043790 Taipei CNA in English 0257 GMT
10 Oct 90*

[Text] Taipei, Oct. 10 (CNA)—The Republic of China [ROC] Government Spokesman Shaw Yu-ming reiterated Tuesday that the reunification of China would take place under "one country, one good system."

Shaw quoted Premier Hao Po-tsun as saying that Chinese reunification will never take place under the context of what Peking espouses to be a "one country, two systems" policy, that is socialism and capitalism under one roof.

Instead, Shaw said, China reunification would take place in the context of "one country, one good system," a system that works as the case of the Republic of China has shown thus far.

Shaw made his remarks in a speech "The Story of a Nation: Challenges and Responses" delivered at a banquet celebrating the 1990 national day of the Republic of China for more than 100 local and foreign reporters at the Lai Lai Sheraton Hotel in downtown Taipei.

Shaw said that if both sides of the Taiwan Strait can carry out their respective responsibilities with regard to ensuring reciprocity during the period leading to peaceful reunification, then all will be well in China, just as in Germany.

In order to reunify China, Shaw said Peking should abandon its policy of using force to unify Taiwan with the China mainland, should stop trying to isolate Taiwan in the international community and should adopt a policy of reciprocity and mutual equality toward the Republic of China.

The ROC, for its part, should accelerate its efforts to share the Taiwan experience with mainland compatriots and should engage in further people-to-people contacts to nurture understanding among the mainland compatriots of what it will take to escape from the vicious circle of tyranny and despair.

Shaw said that the Republic of China has undergone a series of profound and exciting changes in the past three years, beginning with the lifting of martial law in July 1987.

DPP Asks Government To Abandon China Claim

*OW1010002590 Taipei International Service in English
0200 GMT 9 Oct 90*

[Text] The opposition Democratic Progressive Party, or DPP for short, passed a controversial resolution calling for the government to abandon its claim to be the rightful ruler of all China. The passage of the resolution might fuel attacks on the party from conservatives, as well as trigger political instability, according to political analysts. Yet the wording of the resolution has reserved some room for the DPP to debate with the authorities concerned, but it is not openly promoting Taiwan Independence. The resolution reads to the effect that the de facto sovereignty of the ROC [Republic of China] Government does not cover Mainland China and Mongolia. It was unanimously passed by some 170 delegates to the second plenary session of the fourth DPP Congress. Reading aloud the approved resolution, endorsed by 124 delegates, DPP secretary general Chang Chun-hung said this party reaffirms the principle of self-determination as prescribed in the party platform and the April 17 resolution that the sovereignty of Taiwan is independent from the the People's Republic of China, whereby the party further affirms that the de facto sovereignty of the government here does not cover Mainland China and Mongolia.

Premier Hao Po-tsun on DPP Independence Bid

*OW1010124690 Taipei Domestic Service in Mandarin
2300 GMT 8 Oct 90*

[Text] Speaking on the resolution passed by the Second Plenary Session of the Fourth Democratic Progressive Party [DPP] Central Committee declaring that China's actual sovereignty does not cover the Chinese mainland and Outer Mongolia, Premier Hao Po-tsun of the Executive Yuan said yesterday [8 October] that the government will deal with the resolution in accordance with the law if it violates legal principles.

Projected Economic Growth Rate Revised Downward

*OW1010203090 Taipei CNA in English 1549 GMT
10 Oct 90*

[Text] Taipei, Oct. 10 (CNA)—Government authorities have revised this year's economic growth rate downward to 5.15 percent, from the 5.24 percent it forecast in August.

The Directorate-General of Budgets, Accounting and Statistics rated the growth rate for the second half of 1990 at 4.27 percent, mainly because of international oil price rises.

It forecast that in 1991 the country's economy would grow 5.26 percent, and growth for the second half of 1991 might pick up to reach 2.6 percent.

Commodity prices were estimated to increase at an annual rate of 4.38 percent and 5.0 percent for 1990 and 1991 respectively.

The estimates were based on an exchange rate of 227.3 new Taiwan dollars to one US dollar, and international oil prices of 29 US dollars per barrel for the third and fourth quarters this year.

The agency expected oil prices to remain at 32 US dollars per barrel during the first half of 1991 and 26 US dollars a barrel during the second half.

It said investments in public construction projects would peak as international oil prices stabilize during the second half of next year, thus helping the slack economy to recover.

The Council for Economic Planning and Development meanwhile forecast that the Republic of China's real-term gross domestic product (GDP) growth will reach an average of 7.13 percent each year during the 1991-96 period.

The council, after estimating the supply of national resources during the six-year national construction program, concluded that the country still has the potential for 7 percent economic growth.

Hong Kong

Governor's Speech to Legislative Council

HK1010123690 Hong Kong Domestic Service
in English 0630 GMT 10 Oct 90

[Text of speech by Sir David Wilson, governor of Hong Kong, to the Legislative Council (LEGCO)—live]

[Text] Honorable members of the Legislative Council [LEGCO]:

At the start of this crucial decade, Hong Kong isn't much remain [as heard] a community facing its future with realism and the determination to succeed. After the problems of 1989 we made steady and significant progress this year, economically, socially, and politically. We've continued to deal successfully with the challenge of preparing for the transfer of sovereignty in 1997. But once again we have had to face new strains. This summer saw the sudden eruption of a crisis in the Middle East which has cast a dark shadow over the world economy.

Last year I described the government's new initiative for the 1990s and beyond. At the time of economic difficulty and uncertainty in the Middle East, members will not expect me today to unveil a further range of major new initiatives, nor do I intend to do so. We are now in a period when we should take stock of the programs already launched and also the services we provide, and consider how best to provide them. We will need to take decisions on how to fund these services and programs, and see whether there are ways of improving the scope for individual choice and quality. So today, I will focus on the progress we have made so far, and on what the next decade holds for the ordinary families in Hong Kong.

I will start by reviewing some of the [word indistinct] we dealt with during the year and then look forward to the decade ahead. I will conclude by speaking of Hong Kong's role as both an international and a Chinese city. A bridge between China and the world.

Last year, I warned that we faced a slowdown in the rate of economic growth. It has indeed been the case. Our prospects have been further dampened by the Middle East. Higher oil prices will mean inevitably some increase in the cost of living. At the same time, our major trading partners face a new check to their economic expansion. This will reduce their demand for the goods and services we export. Our rate of economic growth for 1990, although it's healthy by world standards, would be modest in terms of our own past performance. We estimate that GDP [gross domestic product] will increase this year by 2.5 percent in real terms. Fortunately, Hong Kong learnt the lesson of the oil crisis of the 1970's. In 1979, oil was our principal source of energy. Today, by contrast, we generate virtually all of our electricity from coal. Because of this successful adjustment to our energy sources, we are better placed than many other economies to cope with the sluggish world market we must expect in

1991. Nevertheless, we must accept that partly because of the Middle East crisis we face a harsher economic environment in which it will be much tougher going to defend our share of existing markets and to develop new business. To retain their competitive edge, firms will need to make better use of existing resources. This means higher standards in management, restraint in setting prices and profit margins and above all, realism when it comes to wage demands. Wages have kept ahead of increases in consumer prices but we must be alert to the dangers of a wage and prices quarrel. This will benefit nobody, neither employers nor workers. We are an open economy. The world will not allow us to pay ourselves more than our products will earn.

Our current estimate is that inflation will average 9.5 percent for 1990 as a whole. With inflation at this level, the prospects are of its rising as a result of the Middle East crisis, rather than falling as we'd expected. We clearly cannot afford to be complacent, nor can we expect an easy cure for inflation. Drastic measures, aimed at suppressing price increases would be counter-productive. They would frustrate the free play of market forces and do lasting damage to the economy. This thought of interference with the market would not be in character for Hong Kong. But we can, as well as being sensible about wages, try to limit the damaging effects of rising prices.

Our first priority must be to ensure that we do not create undue pressure on scarce resources and in this way, fuel inflation. We will all have to accept that for the immediate future, at any rate, we will not have the surplus revenue to meet all the competing claims for additional public spending. There will be difficult choices to make between demands for new services. There can be no ducking these hard choices. Current economic conditions dictate that public expenditure must be kept under tight control.

As the territory's biggest employer, the government is determined to make sure that it does not add to the pressures on an already strained labor market. Accordingly, next year, many departments will face zero growth. Its standards are to be maintained, individual branches and departments will have to strive for productivity gains through the better use of the staff and on other resources under their control. This will be a real challenge. It will be a test of management and leadership.

The bulk of the labor force works in the private sector. The success of the economy depends heavily on the ability of private employers to maximize productivity. In practice, there are limits to how far employers can replace workers with new parts and equipment. The government accepts that many firms have already reached these limits. In some cases, they cannot expand their businesses any further because they cannot find enough workers locally. The genuine danger is that the acute shortage of labor may act as a break on future

economic growth. When that happens, everybody suffers. Our policy has been, and will remain, to encourage growth.

That's why we have relaxed the controls on the importation of labor in certain crucial areas of the economy. This doesn't mean cheap labor. Employers will be required to pay imported workers market wages. There will be no indiscriminate importation of untrained labor. Effective enforcement arrangements will be made to prevent abuses by employers. The scheme will be kept under careful review and will be adjusted if necessary to make sure that it continues to meet the changing needs of the economy.

A similar flexibility of approach involving adapting to new circumstances in a way which will benefit Hong Kong rather than sticking rigidly to outdated policies lies behind the decision to allow the private sector to recruit students from China to work in Hong Kong, providing that they've completed at least two years study overseas and are properly qualified.

All of these things matter because a successful economy is crucial to everything we do. Without it, we lack the means to achieve any of our goals. At the same time, we also have a responsibility to protect the disadvantaged members of the community from the most damaging effects of inflation. So full security benefit levels are reviewed regularly and are adjusted to compensate for changes in consumer prices. Worth noting, that so far this year, these benefits have increased by 10.5 percent; while encouraging the successful, we will continue to protect the weak.

Our economic philosophy is one which is clear and has served Hong Kong well. We believe in the efficiency and effectiveness of free markets. These allow our businessmen to be flexible and dynamic. The government's main role in the economy is to facilitate efficiency and growth. As far as possible, both the businessman and the investor must be left free to perform their role. They must not be hampered by excessive official restriction. They must not be deterred by excessive taxation. We need to be sure that the spirit of enterprise flourishes to allow individuals the freedom and opportunities to succeed by their own efforts.

Of course, we must also ensure that our business practices conform to the standards of a major international center of trade and finance. Otherwise, we cannot attract the outside investment we want and welcome. We're stepping up our projection of the ordinary investor in areas where we've identified potential for abuse. After a period of necessary tightening up, I believe, we now have the balance about right. We'll make sure that it is kept right. Neither too little, nor too much.

Hong Kong did not invent the free market private enterprise economy but over the past thirty years, we have become one of its most successful experiments by holding firm to our principles, we've achieved notable economic success domestically. Now, internationally,

we're playing an important role in supporting freedom of trade in goods and services. It's essential, not only for us, but for the world economy that the current Uruguay Round of negotiations about the General Agreement on Tariffs and Trade gaps reaches a successful conclusion in December. We will continue working hard to this end.

The government also has a responsibility to create an environment in which the economy can continue to expand and diversify. This means making major investments in our physical infrastructure. I will refer to this later. Without these investments, the economy could not produce the prosperity on which families base their plans for the future. At the same time, as we grow richer, the government must see to it that the community has adequate housing, medical, and other services. The labor force is entitled to a decent working environment as well as the proper rewards. Through publicity and legislation, we're steadily improving conditions in the workplace, be it office or factory. Both the government and the community have consistently and rightly been willing to invest heavily in creating the public services necessary to meet the community's essential needs.

The last decade has seen a radical change in economic thinking throughout the world and a growing realization that the free market offers the best prospects of economic success. Hong Kong has been a model in the revival of free trade and free market economies. With a clear vision of our essential objectives plus prudent management, we can enter the 1990s with confidence that Hong Kong will continue to surprise the world and confound the pessimists.

Some recent criminal cases have shocked us all. They are a reminder that we cannot take for granted Hong Kong's record as one of the world's safest and most law-abiding urban communities. Nevertheless, it is still the case that our crime rate in relation to the size of population remains significantly below those of major cities in the West. They compare favorably to those in our region. On the general level of reported crime per thousand of the population, it has actually declined over the past decade.

These generally healthy statistics are not a cause for complacency. They describe a state of affairs that we must now fight hard to maintain. There has been a recent increase in violent crime. That cannot be tolerated. In particular, we must take firm and effective action against criminals who use firearms and against any revival of triad activities. In the months ahead, we will make increased efforts to prevent the illegal importation of firearms. We've had good cooperation from the authorities in Guangdong in tackling this problem. At the same time, we will be targeting organized crime. Draft legislation aimed specifically at organized crime syndicates, including triads, will be published for public consultation as soon as possible in the new year.

There is a vital role for the community to play in maintaining an orderly and peaceful society. We all have a responsibility to work together with the police and other

law enforcement agencies. By reporting crime, including triad activity and corruption, by cooperating with investigations, by coming forward with evidence, and by taking preventive measures in our own homes.

The Fight Crime Committee and its network of district fight crimes committees will work hard to get this message across to the public. It will look for ways of making it easier for the public to play their part by, for example, improving reporting procedures. And it will mount a special publicity campaign against juvenile crime, and in support of parental care and authority. Responsible, caring parents are our first line of defense against the sort of law and order problems that threaten many other urban societies.

Success in fighting crime depends on the professionalism and integrity of our police. To keep our streets safe, we must have a well-trained, strongly-motivated, and adequately-rewarded police force. At a time when a tight labor market makes recruitment difficult in all sectors of the economy, it is important to find ways to improve the ability of the force to recruit and retain staff so that it can continue to revive the effective service upon which we all depend.

Out of that effort has been a review of the salary level of junior ranks in the police and other disciplined services. That review has been completed. It is now the responsibility of the police and the other disciplined services to maintain a high standard of efficiency and service to the public. We have had this in the past; we expect to see it continue in the future.

However smooth we can manage to make the transition to Hong Kong's new status in 1997, there will inevitably be those who feel the need to take stronger personal safeguards for the future.

Last year, I noted that there had been a surge in applications for emigration. This year, about 62,000 people may emigrate, the highest level for many years. Nearly a quarter of these are likely to be professionals, managers, technicians, businessmen, and other key members of the community.

Against this background, I welcome the enactment of the British Nationality Hong Kong Act which provides full British citizenship and the right of abode in the United Kingdom for up to 50,000 Hong Kong families. Subject to parliamentary approval, we intend to invite applications under this scheme from the 1st of December.

It bears repeating that the objective of the act is to give those selected the confidence to stay in Hong Kong up to and beyond 1997. I have no doubt that the community as a whole will benefit from the continued presence of the people whom this scheme and schemes introduced by other countries, will keep in the territory.

The government has done what it can to meet the anxieties of those who often reluctantly have considered

leaving Hong Kong. We will continue to do so. We have also taken steps to remove the disincentives for those who want to return.

But I must make it clear that our primary concern is with the vast majority of our people who will stay here permanently, the real Hong Kong belongs. I shall come back later to what is being, and can be done to improve their future.

Members of this council need no reminding of the fact that this problem of the Vietnamese boat people is still with us. But the picture is not as bleak as it was this time last year.

Last October, I had to report the arrival of 34,000 Vietnamese, the highest number in any year since 1979. Since then, our efforts to deal with the problem and those of the international community have produced some results.

Arrivals so far this year have dropped sharply to less than one in six of the number during the same period last year. The careful operation of our screening procedures, the voluntary repatriation scheme, the publicity effort in Vietnam, and the mandatory repatriation flights last December, have all given potential boatpeople an unambiguous message: The days of automatic resettlement through Hong Kong are over.

Taking the camp population as a whole, refugees and people who do not have refugee status has seen a net outflow of over 2,700 since last October. This is the first year since 1986 when the numbers in Hong Kong have actually gone down. The resettlement program for refugees is on target. We expect some 7,000 to leave this year and some 4,500 have returned to Vietnam over the past 18 months, that is since the beginning of the voluntary repatriation scheme.

The government policy will continue to be directed toward the full implementation of the 1989 Comprehensive Plan of Action. This means that all those who do not qualify for refugee status must return to their homes in Vietnam. The Plan of Action has been under great strain elsewhere in Southeast Asia during the past year. If it is to be the basis of policies throughout the region—and I have no doubt that this is the most humane and effective answer to a longstanding problem, then we must get in place arrangements to the orderly return of non-refugees.

The agreement reached in Hanoi on the 21st of September is a welcome step in that direction. We now look to the staff of the United Nations High Commission for Refugees to do all they can to counsel and persuade non-refugees to accept the reality of their positions and return to their homes in Vietnam. We will give our full support to this effort.

Meanwhile, we must continue with the task of housing, feeding, and caring for all those who are already here. I should like to express my appreciation for the work of all the men and women of the government department as

well as the volunteer agencies who are responsible for looking after the 54,000 Vietnamese who remain in our camps, and also for the important financial assistance received from the United Kingdom which has totalled over \$500 million over the past two years.

I hope we can now move towards a humane solution which will bring this tragic migration to an end.

At the start of the new decade, it's worth reflecting on where we now stand in world terms and where we have come from. By the standard of income per head, Hong Kong today ranks amongst the world's top 20 economies. In the 1950s and 1960s, this community struggled and made sacrifices to achieve even minimal standards of health care, shelter, and social services. Now, the facilities provided by the public sector in medicine, housing, welfare, and education meet the basic requirements of our families. Indeed in some areas, these services match the standards of much more affluent societies. We have created a thriving, well-equipped urban community.

The social and economic progress we have made, particularly during the 1980s, has created new aspirations. People are no longer content simply with the basic level of provision. In an increasingly prosperous and educated Hong Kong, they expect a higher quality of service and more opportunities for the individual to choose particular types of service.

A desire for more personal control of the individual and the family's quality of life will be a key trend in the 1990s. There will be quite likely a demand for choice. Families will look for more sophisticated medical care, for opportunities to buy their own home, and the access to good, private schooling. The cost of these wider range of services cannot all be borne by the taxpayer. Greater choice and higher income mean that families must increasingly pay for services which go beyond the basic level.

Let me now turn to the specific areas in which Hong Kong families can expect to see major improvements during the next decade.

I will start with housing. By the year 2000, it is likely that two out of three families will own their own home. This is an encouraging trend. It means greater family cohesion, deeper commitment to Hong Kong, and the reinforcement of individual responsibility and self respect.

A more immediate aim is to eliminate the squatter problem. Over the next five years or so, we will be able to clear most of the squatter houses from the urban areas. This will be a great achievement. All of us here can remember the squatter crowded hillside of the 1960s and 1970s. We should also rehouse the majority of families living in temporary housing.

These are ambitious goals. To achieve them, we will need to build some 430,000 new public housing flats by the year 2000. We're currently on target. Last year's public

housing production reached the record number of 53,000 flats. We expect to achieve a similar performance this year.

As I have already pointed out, numbers alone are no longer the yardstick for public services. Quality counts more and more. The last blocks of the Mark 1 and Mark 2 estates, those nearly 30 years old, will be demolished next year. The flats now being built are 10 percent larger on average than their immediate predecessors and four times the size of the old Mark 2 units. They have a full range of community facilities set out in a pleasant and carefully planned environment. Rents may need to be increased in line with the community's growing prosperity but they will continue to be fair and affordable.

In the public sector housing program, we must respond to the wish of more and more of our families to own their own homes. More than 100,000 families are already living in flats built under the home ownership scheme and the related private sector participation scheme. By the end of the decade, the number of flats built under this scheme will have more than tripled to 350,000. The years ahead will also see the housing authority offering good quality rental units for sale to sitting tenants. And the home purchase loan team will continue to help more of the authorities tenants to buy their own homes.

But the demand for better designed and more spacious flats increasingly owner-occupied cannot be met by the government alone. Indeed, it would be wrong for this responsibility to fall on the public sector as heavily as it has in the past. So, we look to a further expansion of the private sector's contribution. By the end of the decade, we expect the private sector to be producing nearly half of the net-all new housing in Hong Kong.

In education as in housing, we are facing pressures both for improved basic standards and for greater choice. The growing sophistication of our economy has put a premium on better educated and better trained people. The rapid growth of our services sector in the 1980s created an upsurge in demand for new skills and qualifications.

Our present supply of graduates is not sufficient to keep up with the growing requirements of employers. Last October, I said that we must increase the number of local graduates as quickly as possible. Also that I would ask the University and Polytechnic Grants Committee [UPGC] to consider how to achieve a major increase in the number of first year, first degree places. The committee has now produced a plan which will deliver the numbers we need and at the same time, maintain internationally recognized standards. Its proposals will mean that by 1994, six out of ten students leaving the sixth form will have an opportunity to study for a degree course at one of our tertiary institutions. The University of Science and Technology which will open on schedule next autumn will play a significant role in this expansion.

I said last year that this program of expansion was ambitious, that strains will fall particularly heavily on the teaching staff. We shall need to recruit up to 3,000

new university teachers against a world-wide shortage of academics and a local background of losses to emigration. This will not be easy but the UPGC has already put forward recommendations on ways to meet the challenge.

Nowhere is the need to move from quantity to quality so clear as in the field of schooling. We now have sufficient school places. We need to raise their standards and tackle many quality-related issues. We have already introduced into the curriculum a series of subjects designed to meet modern expectations, including arts and design, design and technology, and computer studies. We have reformed the six-form curricula and A-level examinations will be held in the medium of Chinese in 1992.

These improvements are part of the constant updating required to keep up with new demands and reach higher standards. Both higher standards and greater choice are important. Giving families greater freedom of choice is the philosophy behind the new direct subsidy schemes. Existing aided or private schools which qualify entry to the scheme will have substantial freedom in selecting their own pupils, setting their own curricula, and managing their own finances. The government subsidies they get will be in direct proportion to the number of pupils they attract. The scheme is intended to develop a thriving and innovative private sector in education. Parents will then have a viable alternative to what is offered by the public sector.

But these improvements do not go far enough. There are still some complex and controversial problems which we will have to tackle with imagination and determination. The time has come to review the strengths and weaknesses of our basic curriculum and to decide whether it meets the needs of all children. We must look at how to develop a system which establishes targets for students and then check how well they and their schools have done in meeting these goals. We must face up to the hotly-debated question of language in education and decide what is right now for this community.

All these issues will be dealt with by the education commission's fourth report which is due to be published next month. There will then be a chance for public comments. The decisions we take after that will be crucial in determining the quality of education in our schools in the 1990s.

A good education remains one of the most important aspirations of every Hong Kong family. By the end of this century, all parents will be able to send their children to primary and secondary schools which provide a relevant curriculum, modern facilities, and well-trained and motivated teachers. There will be a greater variety of schools to choose from, including private schools offering their own curricula. For those with the inclination and the ability, there will be the opportunity to go on to higher education or vocational training within Hong Kong. The education they receive will be directly

relevant to the needs of the economy. And for those who have not benefited from higher education or wish to update their skills, there will be organizations like the Open Learning Institute to provide the opportunity for self-improvement.

The 1990s will also see major improvements in medical services and facilities. We can already be proud of our achievements in providing virtually free medical and health services to all. Hong Kong people live longer, healthier lives than people in many developed countries. Our average life expectancy is 74 years for men, and 80 for women. This is two years longer than in either Britain or the United States of America. But as with housing and education, expectation has risen in line with greater prosperity. At the same time, the rate of progress in medical knowledge and technology is so rapid that there is constant pressure to introduce new facilities and types of treatment. New services are enormously expensive. Already, the average cost of providing a bed in a government hospital is over 1,000 dollars per day. And of this, 97 percent is met by the taxpayer. We can be proud that proper treatment for the sick is not a privilege reserved for the better off. But we cannot continue to provide more and more sophisticated treatment or the choice of service that people increasingly want unless we begin to move away from our traditional public assistance approach to hospital care. It is candid to assume that the average in-patient is impoverished. In the Hong Kong of the 1990s, such an approach will be out-of-date.

The establishment of the Hospital Authority is a major step towards achieving an improved and more effective standard of provision. The birth of the Authority was not painless. This was no surprise, given the size and the complexity of the changes involved. Now that the initial hurdle has been cleared and we have the new management team in place, I hope that all concerned will work together to take advantage of the scope for improvement which the new system will offer. By next year, the Authority will have taken over the management of all public hospitals. The distinction between government and subventive facilities will gradually disappear. All public hospitals will be integrated into a system which will permit both the better deployment of resources and the elimination of overcrowding.

Once better services are in place, we can consider a fee structure that takes more account of the improved incomes of so many of our families. But we will still have a system of waiving charges for those unable to pay. It will remain a key principle that no one will be denied adequate medical treatment because of lack of means. As a result, hospital services will remain highly subsidized by the taxpayers.

Nevertheless, I believe that the growing number of families in the 1990s will wish to use their increasing incomes to purchase the type of health care that they want. Their ability to do so will be made that much greater by the expansion of medical insurance scheme. In addition, we can expect both public and private hospitals

to find ways to cater for this new type of demands for health care. One proposal now being considered is the introduction of B-class wards into public hospitals. These will provide more space and privacy to those who are prepared to pay for a level of service above that of the ordinary public wards. This is all part of giving people a wider range of services from which to choose.

With the establishment of the Hospital Authority, we can move forward to the second stage of reform: The better provision of primary health care. The aim will be to provide a high quality of service directed at the specific needs of the individuals. We need to place greater emphasis on the continuity of care from prevention to the cure and achieve a better balance between health care and hospital treatment. Improved primary health services can bring further improvement in the general standard of the community's health and reduce the need for hospitalization. The working party on primary health care is now examining the special requirements of women, the young and the elderly. It is looking at how to involve health care workers, teachers, social workers, parents, and volunteers in improved programs of health education. It is studying how a computerized system can provide essential information for medical research, and how to improve training and family medicines for doctors and nurses at out-patient clinics. I look forward to seeing the recommendations of the working party before the end of the year.

1991 will be a landmark year in the health field. It will see the establishment of the Academy of Medicine, the integration of public and subventive hospitals into the Hospital Authority, a new initiative from the primary health care working party. These are all investments in the long-term health of our community. Some of these changes involve the fundamental rebuilding of the medical and health system. But if we can meet the challenge, we will soon see an end to camp beds, to long queues at clinics, and to many other unsatisfactory features of our present system. By the year 2000, there will be accessible, district-based hospitals run efficiently and cost-effectively by the Hospital Authority, international standards of specialized medical training, more extensive use of preventive health care, and a wider choice of high quality medical services to all the people of Hong Kong at prices they can afford.

I have already referred, in the context of inflation, to the importance of our social security system. The fact that benefit levels are regularly reviewed to maintain their real purchasing power shows the commitment that we have made to provide comprehensive assistance for those in need of financial help, care or protection. We have in place a safety net for the needy and the vulnerable.

But once again, we cannot be satisfied with achieving simply a level of basic provisions. Hong Kong is a dynamic and constantly developing society. Full employment means that jobs and reasonable wages are available to virtually everyone. The changing lifestyles and social

habits, changes in the population structures and new pressures on traditional institutions like the family create inevitably new tensions and strains. And some individuals and families cannot cope without outside support. Our distinct social services already take care of the basic needs of these people. Increasingly, they now tend to require professional guidance rather than financial help, a significant break with the past in the welfare field. The challenge for Hong Kong is to improve our social services without creating the sort of dependency culture found in some Western welfare states.

Last year, I said that the time has come to take stock of the progress we have made in our welfare services since the publication of the 1979 White Paper. A new White Paper has now been published in draft for public comment. This important document will be issued in its final form early next year. The draft White Paper emphasizes the development of services to support the integrity of the family. Rightly so, the family has a crucial role in providing care, mutual support and emotional security to its members. Changes over the next ten years will bring with them increasing pressure on the fabric of our society. In such times of change, it is essential for our social welfare services to preserve, strengthen, and support the family as a foundation of our community.

One important proposal which has emerged in the draft White Paper is the suggestion to give families on public assistance a child supplement to help thwart the extra cost of the food and recreation which every child needs to help his development. In addition, more services in the form of daycare centers, after school care program and home help services will be needed to ease the burden upon the increasing number of families where both parents have work. Next year will also see the introduction of new legislation to give children better protection from the risks of abuse or neglect.

Longer life expectancy and a low birth rate are now producing an older society. Some 15 percent of our population will be over the age of 60 soon. This underlines the importance of providing adequate services for the elderly. The old age allowance will be extended in April to include all Hong Kong residents aged 65 or above. It will then be payable to some 380,000 people. That is nearly seven percent of the population. As the draft White Paper makes clear, we will also have to provide more residential care for the elderly and develop new approaches such as self-supporting but non-profit making homes. Legislation will be introduced to ensure that residential services for old people be of acceptable standards.

Another important group with special needs is the disabled. Some measures to improve the range and quality of our rehabilitation services are already in hand. But we need now to stand back and reexamine our policy in these areas.

I therefore ask the secretary of the Health and Welfare to prepare a comprehensive green paper recommending the

way forward for our policy on assistance to the disabled in the 1990s. In doing so, we should avoid preconceived ideas about the abilities of handicapped people. We must accept the responsibility to work with them; help them lead lives of dignified and fulfilling as the able-bodied.

Last year, I dealt at length with the port and airport development strategy or PAD for short. This year, I will bring members up to date on the progress we've made with PAD and the other ambitious infrastructural projects which the government is undertaking in the 1990s.

First, I should like to dispell some common misconceptions about the nature of PAD and its long-term costs and benefits. PAD, the port and airport development strategy is not of course a single project. It is a coordinated package of projects which will transform our transport infrastructure over the next decade and beyond. There should be no doubt that these projects are essential to Hong Kong's future prosperity. Naturally, they are expensive. Sound financial management will be necessary. We will also have to strike the right balance between the demand of the government current and medium term commitment and these large capital projects whose benefit will not be felt until the latter part of the 1990s. Nevertheless, there's no doubt that properly managed, these projects are within our financial capability.

By any measure, PAD offers excellent future returns as a sound investment. In the medium term, the most obvious benefits will be the new land which will be open up for development. On the northland territory, some 200 hectares of land will be formed for industrial development along the approaches to the new airport. The west Kowloon reclamation will give us about another seventy hectares of land for industrial, commercial and residential development. In addition, once the new airport is built, the 270 hectare site of the present Kai Tak airport will be available for development and the way will be opened for reclaiming over 300 hectares of new land in Kowloon Bay.

Taking into account only the areas I just mentioned, this means that the new airport project alone will create a potential revenue from landfill of nearly 40 billion dollars at present day prices. Further potential redevelopment will result from the removal in due course of height restrictions in Kowloon after the closure of Kai Tak. And of course, PAD will give us the airport and port facilities that are essential for our rapid growth as a major business center in the next century.

Since my announcement last October of the approach we will take to port and airport development, the case for building a new airport at Chep Lap Kok has become even more compelling. Our earlier estimate of growth in traffic at Kai Tak has proved too conservative. Over the past twelve months, the number of passengers using the present airport has increased by 11 percent and the number of aircraft movement by 12 percent. At this rate,

Kai Tak will reach saturation point by 1994. Last year, 16 million air passengers landed or took off from Kai Tak. In terms of international flights, Kai Tak is now the sixth busiest airport in the world. It is the fourth busiest in terms of international freight.

According to our present projections, by the year 2000, Hong Kong will need to handle some 32 million passengers a year or an average of over 80,000 passengers everyday of operation. As I said last year, we cannot afford to have Hong Kong's economic development constrained by inadequate airport capacity. This is not simply a question of convenience for travelers. If Hong Kong is to maintain its role as the regions key financial trading and commercial center, we must be able to move increasing volumes of passenger and cargo traffic quickly and efficiently. By contrast, failure to move ahead with the new airport would mean postponing our plans for continuing economic development. Without a new airport, the air transport and tourist sectors would obviously lose substantial earnings. And of course the rest of the economy would face a loss of business. Business which would be quickly snapped up by our rivals. In the end, we would find it hard to maintain Hong Kong's role as a regional business center and both profits and wages would be put at risk.

This is just not something which affects Hong Kong. The new airport will make a significant contribution to the economic development of South China in general and Guangdong in particular. In turn, economic expansion in South China will generate more than enough business for the other existing and proposed airports in the vicinity of Hong Kong. We have provided the Chinese authorities with comprehensive details of our plans and will continue to do so as these plans are updated. I hope to see their support for a project which will provide the cornerstone of the continued prosperity of the Hong Kong Special Administrative Region [SAR].

The new airport authority will come into existence next year, in the meantime, the provisional authority is hard at work and has made significant progress. In July, it appointed consultants to draw up the airport master plan to carry out an engineering design work and to assess the impact the new airport will have on the environment. The consultants have finished the first of the master plan including recommendations on the alignment of the two runways. The provisional authority will soon take decisions on the overall lay-out of the new airport. The consultants will then be able to go ahead with their detailed design work. This will be finished by November next year. I expect the main cite formation for the airport to begin in the second half of 1991.

The present estimate of the cost of the new airport is approximately 38 billion dollars at today's prices, excluding its related transport links and other supporting infrastructure. Consultants have been appointed to advise how best to handle the financing of this major investment. By June of next year they will have made detailed recommendations on an effective financial

strategy. A crucial part of their brief is to develop plans for cooperating with the private sector, make sure that the airport is not only commercially viable but also makes the maximum possible contribution to our economic development.

To sum up, last October I announced that we would build a new airport at Chep Lap Kok. This decision followed detailed investigations over many years. 1990 has seen the laying of the vital foundations for the project with experts at work on the financial packages as well as engineering and other feasibility studies. We've made a good beginning and some contracts associated with the project have already been let. The first work on the ground will begin in January next year. Soon afterwards, we'll be calling for tenders for the land [word indistinct] crossing. The centerpiece in the new rail system which will link the airport to Kowloon and Hong Kong island. Progress will accelerate as the team of professionals being assembled, including the chief executive for the airport authority, take up their posts in the months ahead. We still have some flexibility to tailor individual elements within the total project in response to additional data and further analysis by the experts.

Separate from the new airport but closely linked to it as part of Hong Kong's essential infrastructure is the development of our port facilities. As with the airport, this project is vital to our continued prosperity. With more and more oceangoing ships entering the port, we must plan ahead to ensure that Hong Kong keeps its position as the key communications center for both Southern China and Southeast Asia.

Most of the port expansion will be financed by the private sector. This is a world-proven approach in Hong Kong. The record shows that the private sector can make a first class job of financing, constructing, and operating the major facilities in our port. Progress on Terminal 7 at Kwai Chung is a good example. The first phase was completed in the record time of 19 months that is two years ahead of schedule, it will be fully operational in two weeks time. The site for Terminal 8 will be left for private sector development in the first quarter of next year. The aim is to have it ready for use in 1993.

The government too has an important role to play in port development, part of this is to provide break quarters, typhoon shelters, and additional land for cargo handling and container storage. Another crucial role is to ensure that additional facilities become available at the right time and in the right places. In carrying out this task, the administration will now have the advantage of advice from the Port Development Board which started work in August. The estimate of the total cost of the new port development is some 55 billion dollars at current prices. But it is important to remember that this expenditure will be committed in phases between now and the year 2006, and that the commercial viability of the development is expected to induce private business to invest some 80 percent of the finance required. The policy is to

provide new port capacity as soon as, but no sooner than it is required. This incremental approach means that the detailed phasing of expenditure will be subject to continuous adjustment so that it matches the changing requirement of the economy.

By the end of the decade, the focus of activity in our port will have shifted to the western harbor. New container and multi-purpose terminals will be developed on a fourth peninsula extending from northeast (Lam Ta). In the year 2000, the best estimate suggests that Hong Kong's port will handle nearly 200 million tons of cargo per year. That's well over twice the present level. We will have the ability to be not only the major export [word indistinct] for Hong Kong and Southern China, but also the major transshipment center for East Asia.

It is already possible to see in the minds eye an outline of what Hong Kong will look like in the year 2000. The new airport will be in operation with road and rail links to Ching Yi and Kowloon via a string of bridges and tunnels. The Kowloon peninsula will have expanded in size by a third as a result of reclamation in the west. In the area surrounding the old Kai Tak runway, reclamation equivalent to almost the entire size of Kowloon today will be nearing completion. On Hong Kong island, the central business district will have been transformed by its expansion onto the new harbor reclamation. New and well-designed towns will be under construction in Tung Chung and Dai Ho on Lam Ta. In carrying out these massive development plans, both the government and the community must continue to pay attention to our environment. Here again there are hard choices to be made. We cannot shy away from development in an attempt to preserve the status quo, that would be stagnation. Nor can we press ahead regardless of the consequences, that would be wanton destruction. Last year's white paper on pollution forms the basis for the government's program of environmental protection. We're already operating the main provisions of the noise control ordinance and the requirements for lower sulfur content fuel introduced in July has resulted in a dramatic improvement in air quality.

The average level of sulphur dioxide in the air we breathe has fallen by over 40 percent territory-wide, and by as much as 80 percent in some areas. By early next year, we will introduce unleaded petrol and take other measures to deal with smoky vehicles; we should be able to look forward to still cleaner air. Meanwhile, the water pollution control program is beginning to improve the water quality of our beaches. The number of beaches closed because of unacceptable levels of pollution (will be hard this year to free), so we still have a long way to go. The next stage is to strengthen the water pollution control ordinance. This will happen in December when an amendment already passed by this council will take effect. As a result, some 11,000 factories will have to adopt more stringent anti-pollution standards, setting up treatment facilities where these are necessary. This

amendment also removes previously permitted exemption which actually amounted to allowing them to pollute. But that will not be the end of the story. Further amendments will be put to this council next year. We will also press on with our 14 billion dollar sewage program. Site investigation and engineering studies for this have already begun. All these measures will improve dramatically the quality of water in our streams and most noticeably in our harbor.

Legislation is only part of our effort to improve the environment. The commissioning in April of Hong Kong's first refuse transfer station of Kowloon Bay has made it possible to close the Jordan Valley landfill. Within the next few months, the Lei Chi Kok incinerator will have been shut down; welcome news to those living nearby. Tenders have been evaluated for a second transfer station, a third is being planned, and a contract for a chemical waste treatment center is due to be signed shortly. Nor have we lost sight to the fact that pollution is no respect to have altered [as heard]. Establishment of a joint Hong Kong-Guangdong environmental protection liaison group in July showed yet again the importance we attached to cooperation with China on specific issues which affect us both. Encouraging as these developments are, there is much more still to be done. I hope that not only the government, but also our major trading and industrial organizations will take part and show their determination to protect our environment. The adoption of recycling scheme by companies and holding estates is a sign of the community becoming increasingly conscious of its responsibility for the environment. One welcomed move was the opening in November last year of a center of environmental technology for industry at the City Polytechnic funded by the private sector. I believe that major improvements to the environment are well within our reach, by the end of the decade, Hong Kong's hospitals will have fewer patients with lung disease. The air we breathe will be cleaner. With the widespread use of unleaded petrol, and the reduction in the number of diesel engine vehicles, there will be fewer complaints about noise and air pollution, more people will enjoy a good life, uninterrupted by noise from pile drivers, machinery, or aircraft landing and taking off. Cleaner beaches will attract more visitors, our country parks will remain intact, including those in Sai Kung, Pak Tin, and south and west Lantau, as well as the internationally famous bird sanctuary at Mei Po. Even our massive infrastructural developments should have the capacity to improve rather than damage the environment, it is because they provide the opportunity of a less overcrowding and better urban planning.

I should now like to deal with the development of our system of government. This system is a product of our unique circumstances, our status of a non-sovereign territory, our special relationship with China, the requirement of our economy, and the increasing political awareness of our population; our system has evolved to meet these special needs and decision of Hong Kong. The next stage in this evolution will be three sets of

elections in 1991. The first direct election to this council next year will be a significant step in the development of our system of government. It is very important that all sectors of the community respond positively. We need candidates of high calibre, representing a wide range of interests. Taking part in an election means being prepared not just to win but to lose as well; there is no dishonor in that. We also need the public to exercise its right to vote. The people of Hong Kong will be able to make their full and proper contribution to shaping Hong Kong's future only if they have kept their personal responsibility for enthusiastic and well-informed participation in the political process. Many people are still uninterested in politics, and prefer to be left to get on with what they do best, helping their families to achieve a better standard of living. There is nothing unusual in this, nor is it unique to Hong Kong. But we must encourage such people. We must encourage all of our communities to support those who will speak on their behalf. Equally, our politicians must be prepared to find out what people really think, not just those who make their presence felt, but those who keep quiet as well, and provide leadership which meets the overall needs of Hong Kong.

By this time next year, the composition of this council will be substantially different, official membership will be reduced to the three executive members. There will be a substantial elected majority. The community will look to members of this council to play a greater part in the conduct of government business. This is a natural and welcomed development. Inevitably these changes will have their impact on the day-to-day workings of the council; we will have to look again at some of our laws of procedure. The changes will also affect the way the administration and the Executive Council work with this council in dealing with the business of government. As our system of government evolves and becomes more complex, we must work together to make sure that all the key parts of that system remain effective as well as responsive to the needs of the territory. The civil service too will face adjustment as a result of next year's changes in the political system, but the need to maintain close links between this council and the administration will remain; it will, if anything, be greater. At the same time, we must draw a clear distinction between politicians and civil servants. As our political institution evolves, it is important that the civil service should remain politically neutral; the service exists to serve the overall interest of Hong Kong, it must not be identified with sectoral interests. I have already made the point that the size of our civil service will remain virtually static next year. As we enter a period of minimal growth in number, we need to look at ways of increasing the productivity of those involved, if the level of service to the public is to be maintained. Our civil servants already perform well by any standard, in terms of their integrity, competence, commitment, and professionalism. To improve productivity in this context will be no easy task. We will have to look first to the quality of management. We have been

experimenting with ways to give departments the incentive to become more efficient, and to give policy secretaries increased responsibility within their policy areas. We have also identified scopes of evolution of central authority, to improve the quality of personnel management throughout the service. One step which has already been taken is the delegation to heads of departments of the authority to deal directly with the public service commission on all appointments and promotions below directorate level. There are further plans of evolution including giving heads of departments the financial and administrative responsibility for the professional training of their staff. At the senior level, civil servants must not only have dedication, integrity, and balanced judgment, they must also be good at the management of resources and people, and their performance will be judged accordingly. The application of modern information technology to improve productivity and to compensate for labor shortage will be crucial. This is an area where the government has much to learn from the private sector. Investment in upgrading essential office equipment will enable the civil service to achieve the productivity gains which are necessary; it must meet new standards and maintain standards at the time of minimal growth in manpower. Computerization is now integral part of long-term planning in government departments, and more civil servants at different levels will be trained in the use of computers. There is also a need to pay careful attention to civil service morale. This goes beyond maintaining a fast system for determining pay and conditions of service. I am, for example, conscious of the concern which many civil servants express about the security of their pensions. We believe that pensions are secure; they are now a statutory right, and there are firm commitments to their payment in both the joint declaration and the Basic Law. Nevertheless, we are looking to see if there are other measures which might be taken to address staff worries. But I must caution that any changes which require substantial resources will not be possible in the short term. Civil servants' attitudes and aspirations have changed as they have the community at their hold. The government as an employer must respond to this situation. We must look for new ways to attract and to retain staff. For its part, the civil service has a responsibility to maintain its impartiality and to keep up its fine tradition of service to the public. A community rightly expects a good deal of its civil service, so does the government. A well-motivated and committed civil service is essential to the success of Hong Kong in the 1990's and beyond.

The ambitious [word indistinct] short economic and political programs which I described, are being undertaken against the background of the transition to Chinese sovereignty. In our evolving relationship with China, there is still inevitably stresses and strains which can only be overcome by mutual effort and mutual understanding. One thing is clear: A constructive relationship with China is fundamental to the future and well-being of Hong Kong, both before 1997 and after. Neglecting

this truth or making no attempt to forge such a relationship would do no service to the people of Hong Kong. The Hong Kong Government and the British Government have therefore tried over the past year to dispel misunderstandings and to improve our working relationship with Peking. My own visit to Peking in January was part of this process. Mr. Maude's visit in July provided a further valuable opportunity for discussions with senior Chinese leaders. We have tried to convince the Chinese Government that action taken over the past year about which they have expressed doubt, for instance the British nationality package, and the introduction of a draft of Bill of Rights, have been part of a sincere effort to bolster Hong Kong, so it will help the strength to prosper in the SAR after 1997. Similarly, our major infrastructural plans, such as the building of the new airport and the expansion of the port, are parts of the long-term expansion which must be started now, if the Hong Kong SAR is to be given the best possible chance of success.

The working atmosphere between ourselves and China has improved during the year. The Joint Liaison Group met in September and made progress on some of the matters it is handling. It has a great deal of important work still to do in the years ahead. Following the understanding reached earlier this year which will allow the 1995 legislature to continue beyond 1997, we now need to plan for the continuity of day-to-day administration. There are many complex legal matters to be sorted out. International agreements affecting Hong Kong, localization of laws, and arrangements for Hong Kong to continue to be responsible are the key elements of its economic life. The continuity of the judicial system is another area of great importance to the stability of Hong Kong after 1997. We need to get in place arrangements for establishing in Hong Kong our own court of final appeal. So there is much to do and the need to tackle it quickly, pragmatically, and efficiently.

As we get nearer to 1997, there will be an increasing need to make sure that the Chinese Government is well-informed on important matters of policies which will extend beyond 1997. For Chinese leaders to have a full understanding of how Hong Kong works, what our key priorities are, and how we go about taking decisions will be helpful to Hong Kong both now and after 1997. An increase in the exchange of information in this way should not be seen as giving the Chinese Government a veto over decisions which are properly for the Hong Kong Government to take. They have not sought this nor would I expect them to do so. The extensive autonomy in many fields which Hong Kong now enjoys is of long-standing. Its continuation after 1997 is guaranteed in the Joint Declaration and provided for in the Basic Law. Meanwhile, the Chinese Government has undertaken in the Joint Declaration to give its cooperation to Britain in the administration of Hong Kong up to the transfer of sovereignty in 1997. It is in this context that over the next few years we aim to improve consultation, achieve a greater exchange of information, and build up better understanding on both sides.

We already have extensive contacts with the Chinese authorities at a working level on specific matters such as cross-border traffic, control of smuggling, illegal immigration, pollution control, and health. These exchanges mean that a significant number of Hong Kong officials have frequent contacts with their Chinese counterparts. This is a relatively new but important development. So far this year, over 60 official visits have been made by Hong Kong civil servants to various parts of China. I hope to see more such contacts in the coming year and to see more Chinese officials visiting Hong Kong.

We need in addition to make members of our civil service better informed about China. We will therefore develop our present China training program so that civil servants at different levels and with different responsibilities can become more familiar with China and the way in which China operates. I believe that greater familiarity and more personal contacts at all levels will help us to handle differences of opinions when they occur in a more constructive way.

Above all, it would be difficult to overstate the importance of our economic relationship with China. China is our largest trading partner and a major contributor to our GDP growth. The flow of capital, technology, and commercial expertise from Hong Kong into Guangdong as well as other parts of Southern China is a long-term feature of our economy. So is the flow of goods and foodstuffs from China to here. In 1989, no less than 14,000 Hong Kong-based factories employed some 2 million workers in Southern China. This has not only strengthened our production base but has also played an important part in bringing about an average annual increase in our total China trade of 30 percent over the last five years. The southern coastal belt of China and the Pearl River delta in particular is said to be an area of substantial economic growth for the next two or three decades. Hong Kong must be ready and able to play a major part in this process.

Economically, we have a global as well as a regional role to play. Last year, we set up the international business committee under the chairmanship of the chief secretary. This committee is more than just a symbol of the key role which overseas investors and companies will continue to play in Hong Kong. It brings together representatives of all the foreign chambers of commerce in a high level forum where practical issues of concern to the overseas community can be discussed. This community is growing fast. The total number of overseas companies based in Hong Kong has increased for the last five years at the rate of nearly 68 per year. This is a net figure. New arrivals far more than compensate for the few overpublicized cases of companies deciding to leave.

These international links are important, not only because of the investments they bring in to the territory, but because Hong Kong will continue to depend in the 1990s on its ability to respond quickly to the fluctuating demands of worldwide markets. This does not mean that we can afford to neglect our traditional trading partners

such as the United States, but it does mean that we must take advantage of the new commercial and financial relationships emerging not only in China but around the world. In 1992, the European Economic Community will establish a single European market and remove all internal barriers. This market has at total of 320 million consumers and already accounts for nearly 40 percent of world trade.

The transformed political climate in Eastern Europe will also give our exporters new long-term business opportunities. And above all, we must look to the expanding economies of the Asia-Pacific region as major trading partners as well as rivals. In the first six months of this year, 60 percent of our total trade was with countries in this region. And the growth rate of our domestic exports to Asia-Pacific countries outpaced those to all other areas. Selling our products in all these fast-developing markets will require new skills and even greater adaptability. The competition, particularly in the present economic climate, will be fierce. But the potential rewards are correspondingly great.

I should like to conclude by restating the essential messages of my address to you today: 1990 has been a year of consolidation. The 1990s will be a case of steady progress. We face the immediate prospect of a tougher trading environment, and higher costs and prices. We have faced difficult times before. We have always had the ability to bounce back and to do so quicker than the rest of the world. We must put ourselves in a position where we can do that again. It is essential that we retain our competitiveness in world markets. To do so, we must minimize the effect of wage and price increases. In a free enterprise economy, this means allowing market mechanism to operate efficiently. Public expenditures must remain under tight control but at the same time, we must take steps to protect those members of our community who are most vulnerable to the increases in the cost of living.

Last year, we began a series of programs which will transform our infrastructure, upgrade our social services, and modernize our political system. We have not been intimidated by these challenges. Today, I have reported on a year of significant progress towards our objectives. Work on the new airport, expansion of the ports, and the development of the related transport links is well underway. We still have some hard decisions to make and many of the details have yet to be settled. Nevertheless, these projects are essential investments in Hong Kong's future. Now, we should be clear in our determination to see them carried out. In the next decade, there will be major advances in the quality and range of our social services on which the quality of life of ordinary Hong Kong families depends. We have moved into a new phase. The essential structure of our social services will remain and standards will improve. Protection of the vulnerable in our community will remain a priority, but we have no intention of moving towards the state

welfare system which carries the inevitable risk of undermining the role of the family and creating dependence on government services.

In our next stage of development, services will be upgraded. There will be a much wider choice. No one will be deprived of our higher level of standard services through lack of means. But those who can afford to will be asked to pay more for the standard services they receive, and they will have the chance to choose and pay for additional services on the basic level.

The essence of the Hong Kong way of life is the individual's ability to take decisions and to take responsibility for himself and his family. This will be the decade of greater freedom of choice.

Politically, we have reached the point where the people of Hong Kong must assume greater responsibilities. The three sets of elections in 1991 are the next stage in the evolution of our political system. Now is the time for Hong Kong to develop its own leaders, to find Hong Kong solutions to Hong Kong problems.

We are now developing the physical, social, and political infrastructures upon which our prosperity and quality of life will depend in the year of 2000. We will not be knocked off course by short-term difficulties. Nor must we be paralyzed by self-doubts. We are determined to reach our goals because we are convinced that they are necessary to ensure the well-being of Hong Kong families well into the next centuries. We should have confidence in ourselves and get across that message of confidence to others so that they, too, have confidence in us. The past efforts and good sense of our community have created a city which we can be truly proud. That record should give us the strength to be ambitious in our vision of the future, the vision of a Hong Kong that is confident not only in its unique role as a bridge between China and the world, but also as an international center for business and finance and a decent home for its people.

Now, in accordance with standing orders, I adjourn the council until 2:30 p.m. on Wednesday, the 17th of October.

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DATE FILMED

15 Oct. 1990

